

**UNIVERSITY OF GONDAR**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

**Factor Affecting the Role of Performance Audit In fighting Corruption:  
(Evidences from Amhara National Regional State)**



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**A Thesis submitted in partial fulfillment of the requirements for the  
Degree of Master of Science (Accounting and Finance)**

**December, 2014  
Gondar- Ethiopia**

## DECLARATION

I, the undersigned, declare that the thesis encompasses my own work. In compliance with internationally accepted practices, I have appropriately acknowledged and referenced all materials used in this work. I understand that non-adherence to the principles of academic honesty and integrity, misrepresentation of any idea/data/fact/source will constitute sufficient ground for disciplinary action by the University and can also bring to mind penal action from the sources which have not been properly cited or acknowledged.

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## **CERTIFICATE**

I certify that this thesis work entitled Determinants of Performance Audit in fighting Corruption in the case of Amhara National Regional State has been undertaken independently by Dilnessa Demissie Fenta under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship or associate ship.

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## APPROVAL

The thesis entitled “Determinants of Performance Audit in Fighting Corruption in the case of Amhara National Regional State” by Mr. Dilnessa Demissie Fenta is approved for the degree of “Master of Science in Accounting and Finance (MSc)” at University of Gondar.

As member of the Board of Examiners of the MSc Thesis Open Defense Examination, We certify that we have read, evaluated the thesis prepared by Dilnessa Demissie Fenta and examined the candidate. We recommended that the thesis be accepted as fulfilling the thesis requirement for the Degree of Master of Science in Accounting and Finance.

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## Table of Contents

<b>Title</b>	<b>Page</b>
DECLARATION .....	I
CERTIFICATE.....	II
APPROVAL .....	III
List of abbreviations .....	VIII
Acknowledgements.....	IX
Abstract.....	X
List of Tables .....	XI
CHAPTER ONE.....	1
INTRODUCTION .....	1
1.1.    BACKGROUND OF THE STUDY .....	1
1.1.1.    A brief overview of performance audit.....	1
1.1.2.    Overview of corruption and anticorruption struggle in Ethiopia .....	2
1.2.    Statement of the problem.....	3
1.3.    Objectives of the study .....	4
1.4.    Research Question and Research Hypothesis of the study .....	5
1.4.1.    Research Question of the Study.....	5
1.4.2.    Hypothesis of the research.....	5
1.5.    Significance of the study .....	6
1.6.    Scope or Delimitations of the study .....	7
1.7.    Limitation of the study .....	7
1.8.    Organization of the Study.....	7
CHAPTER TWO .....	8
LITERATURE REVIEW .....	8
2.1.    Concept and development of performance auditing: theory .....	8

2.1.1.	Development of performance audit .....	8
2.1.2.	The basis of performance auditing.....	8
2.1.3.	Objectives of performance audit.....	9
2.2.	Theoretical overview of corruption .....	9
2.2.1.	Concept and type of corruption .....	9
2.2.2.	Methods of combating corruption.....	10
2.2.3.	Major players in anti-corruption struggle .....	11
2.2.4.	Model of corruption and struggle against roots of corruption .....	12
2.3.	Empirical studies on determinants of performance audit and its role in combating corruption .....	14
2.3.1.	Determinant factors affecting performance audit .....	14
2.3.2.	Corruption reduction role of performance audit in advanced countries and in Sub-Saharan Africa	15
2.4.	Empirical conclusion and knowledge gap .....	19
2.4.1.	Organizational Independence .....	20
2.4.2.	Mandate .....	20
2.4.3.	Access to information .....	21
2.4.4.	Funding.....	21
2.4.5.	Leader .....	21
2.4.6.	Staff .....	21
2.4.7.	Support .....	22
2.4.8.	Compliance.....	22
2.4.9.	Communication .....	22
2.4.10.	Using as a tool .....	23
2.4.11.	Performance Audits Role of Fighting Corruption.....	23
CHAPTER THREE .....		24
RESEARCH METHODOLOGY AND DATA COLLECTION.....		24
3.1.	Introduction .....	24
3.2.	Research Design .....	24

3.3.	Population and Sample size .....	24
3.4.	Data type and Sources .....	24
3.5.	Definition of Variables and Model Specification .....	25
3.5.1.	Operational Definition of Performance Audit .....	25
3.5.2.	Operational Definition of Corruption .....	26
3.5.3.	Dependent Variable .....	26
3.5.4.	Independent variables .....	26
3.6.	Data Processing, Analysis and Presentation .....	30
CHAPTER FOUR .....		31
DATA ANALYSIS AND PRESENTATION .....		31
4.1.	Introduction .....	31
4.2.	Personal Profile of Respondents .....	31
4.2.1.	Personal Information of respondents .....	31
4.3.	Descriptive Statistics .....	34
4.4.	Correlation Analysis .....	39
4.4.1.	Relationship between Independence and performance audit's role of fighting corruption .....	40
4.4.2.	Relationship between mandate and performance audit's role of fighting corruption .....	40
4.4.3.	Relationship between access to information and performance audits role in fighting corruption ....	40
4.4.4.	Relationship between funding and performance audits role in fighting corruption .....	40
4.4.5.	Relationship between leadership and performance audits role in fighting corruption .....	41
4.4.6.	Relationship between staff and performance audits role in fighting corruption .....	41
4.4.7.	Relationship between support and performance audits role in fighting corruption .....	41
4.4.8.	Relationship between compliance and performance audits role in fighting corruption .....	41
4.4.9.	Relationship between communication and performance audits role in fighting corruption.....	41
4.4.10.	Relationship between using performance audit results as a tool and performance audits role in fighting corruption .....	41
4.5.	Regression Assumption Checks .....	42

4.6. Regression Analysis .....	42
Chapter 5.....	51
Conclusions and recommendation .....	51
5.1. Conclusions .....	51
5.2. Recommendation.....	52
5.3. Areas for Further Research.....	54
References.....	55
<b>Appendix A-Existing performance auditors’ survey</b> .....	61
Appendix B: Interview question to head of performance audit division of OAG .....	72
Appendix C:- Table 11 Independence of the OAG .....	74
Appendix D:- Table 12 Mandate to carryout performance audit.....	74
Appendix E:- Table 13 Unrestricted access to information for OAG.....	74
Appendix F:- Table 14 Funding of performance audit .....	74
Appendix G:- Table 15 Leadership of Performance audit.....	74
Appendix H:- Table 16 Staff of Performance audit.....	75
Appendix I:- Table 17 Support of Performance audit .....	75
Appendix J:- Table 18 Compliance of Performance audit.....	76
Appendix K:- Table 19 Communication of Performance audit Results .....	76
Appendix L:- Table 20 Using Performance audit results as a Tool.....	77
Appendix M:- Table 21 Performance audit’s role in fighting corruption.....	77



### **List of abbreviations**

3Es	Efficiency, Effectiveness and Economy
ADB	Asian Development Bank
AEACC	Amhara Ethics and Anticorruption Commission
AFROSAI-E	African Organization of English- Speaking Supreme Audit Institutions
AG	Auditor General
ANAO	Australian National Audit Office
ANRSEACC	Amhara National Regional State Ethics and Anticorruption Commission
ANRSOAG	Amhara National Regional State Office of Auditor General
B.C	Before Christ
BoF	Bureau of Finance
EACC	Ethics and Anticorruption Commission
EGAS	Ethiopian Government Auditing Standards
ERA	Economic Responsibility Audit
EU	European Union
FACT	Financial Accountability & Anti-Corruption
FEACC	Federal Ethics and Anti-Corruption Commission
INCOSAI	International Congress of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
IMF	International Monetary Fund
ISA	International Standards on Auditing
NAO	National Audit Office
OAG	Office of Auditor General
OECD	Organization for Economic Co-operation and Development
OFAG	Office of the Federal Auditor General
PA	Parliamentary Auditors
PAASC	Public Accounts Affairs Standing Committee
RMB	China Yuan
SAIs	Supreme Audit Institutions
SNAO	Swedish National Audit Office
SSA	Sub-Saharan Africa
UK	United Kingdom
ULS	Uganda Law Society
US	United States
VFM	Value-for-money
VIF	Variance Inflating Factor

## Acknowledgements

Above all, my deepest thank goes to the source of everything and the kindhearted God, without him I wouldn't have come up this result.

Besides, I want to address my sincere thanks for the respected principal advisor Gardachew Worku (PhD) and co-advisor Ato Abey Zewge for their kind, unreserved help and genuine comment & advice and persistent guidance throughout the development of this paper. This small piece of appreciation cannot fully convey my heartfelt gratitude towards them. Subsequently, my sincere thanks go to performance auditors and head of performance audit department of ANRS.

Last but not least I also give due consideration to my family whom they encourage me to undertake this study.

## Abstract

*This study assessed factor affecting the role of performance audit in fighting public sector corruption taking evidences from Amhara National Regional State. Data collection was achieved through questionnaires and interview. The primary data were supplied to 20 respondents focusing purposively on all existing performance auditors and 5 turn out performance auditors, which have a known destination and are accessible. The interview was conducted with head of performance audit department and ANRSEACC head of corruption prevention and prosecution. The test of hypotheses and other analysis of data were done using SPSS, version 20. The tests revealed that independent variables, independence, mandate, access to information, funding, leadership, staff, support, compliance, communication and use as a tool are the significant factors affecting performance audit's role of fighting corruption in Amhara National Regional State. That means they are the principal factors hindering the performance audit's role of fighting corruption. The study recommends efforts should be made to improve independence, mandate access to information, funding, leadership, and staff of ANRSEACC, support to performance audit department, and communication of performance audit results develop awareness on performance audit's role in fighting corruption. Also, ANRSEACC and other watch dog agencies should exercise legal measure based on performance audit results.*

**Key Words:** *Independence, Support, Communication, Use as a tool, Performance auditor, auditee and corruption.*

## List of Tables

<b>Table 1: Response Rate by Target Group-----</b>	<b>27</b>
<b>Table 2: Sex of respondents-----</b>	<b>28</b>
<b>Table 3: Age of Respondents in Years-----</b>	<b>28</b>
<b>Table 4: Educational Level Of Respondents-----</b>	<b>28</b>
<b>Table 5: Respondents Field of Study-----</b>	<b>29</b>
<b>Table 6: Respondents Experience on Performance Audit -----</b>	<b>29</b>
<b>Table 7: Descriptive Statistics of variables -----</b>	<b>30</b>
<b>Table 8: Pearson’s Correlation Matrixes -----</b>	<b>35</b>
<b>Table 9:- Multicollinearity between Independent Variables -----</b>	<b>37</b>
<b>Table 10: Regression Model of Independent and Dependent Variable Coefficients -----</b>	<b>38</b>

## CHAPTER ONE

### INTRODUCTION

#### 1.1. BACKGROUND OF THE STUDY

##### 1.1.1. A brief overview of performance audit

The development of auditing traces to early ancient civilization of Egypt, Greece and Romans (Boyd, 1905 cited in Flesher et al., 2003). Historical evidence shows that from 500-300B.C. auditing originated in city of Greece, Athens, by state Board of Auditor in municipal administration (Wallace 1980). Then, in medieval period English manorial auditing began. This become the foundation of the statutory audit in the 19<sup>th</sup> century and later spread throughout Europe. Also, the 19<sup>th</sup> century industrial revolution and stock market crash debacle in 1930 accentuated the need for verification and fraud detection (Kinfu and Bayou, 2009).

In Ethiopia government auditing in modernized way has been established by proclamation No. 69/1944. Accordingly the Revised Constitution of Ethiopia 1955 (1948 E.C.) expresses the Auditor General's responsibility to report for the Emperor and the Parliament on the financial operations of the government and was given access to all books and records of government accounts (OFAG 2011a). Subsequently, the functions of the Auditor General were amended by decree No. 32 of 1958, which was later renumbered as proclamation No. 179/1961. After the 1974 Ethiopian Revolution, proclamation No. 164 of 1979 was enacted to redefine the powers and duties of the Auditor General giving him additional responsibility of auditing mass organizations, development projects as well as conducting performance auditing. Later on, the National Shengo provided proclamation No.13/1987 to establish the Office of the Auditor General of the people's Democratic Republic of Ethiopia. This proclamation was in effect until the country introduced the new Federal Government structure in 1994. Thus one can understand that up to 1994 Office of Federal Auditor General (OFAG) was the only government audit institution in Ethiopia. However, proclamation No. 7/1992 of the transition period has already laid down the basis for the establishment of National/Regional State-Governments. Article 8(e) of this proclamation states "every National/Regional self-government shall have an audit and

control Office". Article 15(h) of the proclamation has also given each National/Regional council the power to establish the Audit and Control Office.

Even though the issue of performance audit stated in proclamation No. 164 of 1979, it was not conducted in Ethiopia until beginning of 1990s. In 1991 development of performance audit started in new spirit as a result of UN expert financial auditing project recommendation. Then, manual of performance audit prepared in 1992 and short term training provided. Later on in the middle of 1990s performance audit reports issued and started to present for parliament incorporating it with financial audit.

Amhara National regional state office of Auditor General (ANRSOAG) has been established through proclamation number 6/1993 and in 2002 Amhara National Regional State Office of Auditor General takes its duty of conducting performance audit after training program provided to 5 auditors in Addis Ababa city Administration Office of Auditor General hall by OFAG (Amhara National Regional State Office of Auditor General 2002 Annual report).

Performance audit is conducted with legal basis according to proclamation number 98/2004,. Accordingly Amhara National Regional State Office of Auditor General (ANRSOAG) has a mandate of conducting four types of performance audit: efficiency audit, program effectiveness, economic audit and environment audit. Since 2002 around 46 performance audit reports issued within 12 years by ANRSOAG.

#### **1.1.2. Overview of corruption and anticorruption struggle in Ethiopia**

Corruption is common problem affecting all countries including Ethiopia. In order to tackle corruption and impropriety, Ethics and Anti- corruption commission (EACC) established in May 2001 at Ethiopian Federal government level. Since its inception, the FEACC launched a three-pronged attack on corruption- prevention, investigation and prosecution (FEACC, 2011).

The Amhara Ethics and Anti-corruption commission(AEACC) was established in 2003 by proclamation number 93/2003 with the main objective of having society that shall not condone, but rather be prepared to effectively combat corruption and impropriety and thereby promote as well as sustain the development and democratic process in the region. The commission has officially launched its activities in 2005 (EACCO, 2008).

Many developing and developed countries in the world are using performance audit as a tool in fighting corruption (Khan 2006). Identifying the determinant factors of performance audit's role and make better-off these factors has a valuable effect to maximize its role of fighting corruption. This research has an intention to identify the determinant factors of performance audits role of fighting corruption.

## 1.2. Statement of the problem

Performance audit have numerous importance in improving performance (John 1996), in assisting public expenditure management (Dadi 2009), in supporting modern public management (Michael 2002) and in fighting corruption (Khan 2006). Especially in many countries performance audit is used as a tool against corruption (Dye and Stapenhurst 1998; Borge 1999; Pope and Jeremy 2000; ADB-OECD 2005; Blume and Voigt 2007; Dye 2007; Waring and Morgan 2007; Gong 2009; Mukasa 2010; Sundgren 2011; and Matechak nd).

To the contrary, information released by Transparency International Index of AFROSAI-E expressed the rank of member countries against corruption in its web address. Hence, Ethiopia scored 2.7 and ranked 14<sup>th</sup> among 23 of AFROSAI-E member and 120<sup>th</sup> among 180 assessed countries (Sundgren 2011).

However, in Ethiopia the strong struggle against corruption is mitigating the assumed prevailing corruption level (FEACC 2011). Detecting and eradicating this problem requires stretched time, vast resources and organized national integrity system such as using performance audit and regular audit finding of office of the auditor general (OAG) (FEACC 2011).

In Ethiopia the issue of performance audit has aged more than two decades and its coverage in federal government level is low and as a result of insufficient performance audit reports accessibility to the public or parliament is limited (OFAG, 2008). Also, corresponding negligence is observed at regional level OAG. For instance, in Amhara national regional state more than 1760 government organizations are potential areas of it; however, limited entities get the chance to be audited. Not only coverage problem, but also the gap between office of Auditor Generals and anti-corruption affects the role of performance audit as a device of struggle against corruption in the region needs further investigation.

The least coverage of performance audit, the deterioration of performance audit quality, insufficiency of performance audit reports, the inaccessibility of performance audit reports, absence of communication performance audit results between OAG and watchdog agencies, and the absence of any research about this issue in the region attract the researcher for extensive research on performance audit and its determinants in combating corruption in Amhara National Regional State. This research initiates every belonged individual or body of the state to reconsider the determinant factors of performance audit's role of fighting corruption and to take appropriate corrective action on the determinant factors to maximize performance audit's role in the struggle of corruption prevention and detection.

### **1.3. Objectives of the study**

#### **General objective of the study**

The overall purpose of this study is to identify the determinant factors of performance audit or value-for-money audit in fighting public corruption at Amhara national regional state.

#### **Specific objectives of the study**

The specific objectives of this study are:

- Assessing the effect of lack of independence on performance audit's role of fighting corruption.
- To examine the effect of absence of mandate on performance audit's role of fighting corruption.
- To assess the effect of access information on performance audit's role of fighting corruption..
- To identify the effect of shortage of funding on performance audit's role of fighting corruption.
- To examine the effect of leadership on performance audit's role of fighting corruption.
- To examine the effect of staffing on performance audit's role of fighting corruption.
- To examine the effect of lack of support on performance audit's role of fighting corruption.
- To examine the effect of compliance on performance audit's role of fighting corruption.
- To examine the effect of absence of communication on performance audit's role of fighting corruption.
- To examine the effect of using performance audit reports as a tool to detect and prevent corruption on performance audit's role of fighting corruption.



## 1.4. Research Question and Research Hypothesis of the study

### 1.4.1. Research Question of the Study

Basically Performance audit is carried out in three phases: planning, fieldwork, and reporting. Problems faced in each phases vary widely among auditing organizations around the world. Common and unexpected challenges costume not only in pre conduct and during conduct of performance audit but also it may face in post follow-up and when using its findings for combating corruption. Thus, the Central research questions are:-

- Does independence of OAG affect performance audits role of fighting corruption?
- Does mandate of OAG determine performance audits role of fighting corruption?
- Does access to information for performance auditors a determinant factor for its role of fighting corruption?
- Does funding determine performance audits role of fighting corruption?
- Does leadership affect performance audits role of fighting corruption?
- Does the competence of the performance auditors determine performance audit's role of fighting corruption?
- Does the degree of support affect performance audit's role of fighting corruption?
- Does performance audit's role of fighting corruption determined by the degree of implementation of standards and manuals?
- Does degree of communication affect performance audit's role of fighting corruption?
- Does performance audit's role of fighting corruption determined by the use of its results as a tool?

To achieve the above objectives of the study, a series of research questions are developed. Some of these research questions are stated in the form of hypothesis while others take the form of “what”, “which” and “How” question type expression. In this context, the study focus on research objectives and on testing research hypothesis.

### 1.4.2. Hypothesis of the research

Based on the above theory in attempt to examine the determinant factors of performance audit's role in fighting corruption, the following hypothesis have been formulated and tested:

**H<sub>1</sub>:** The absence of independence has no significant effect on performance audit's role of fighting corruption.

**H<sub>2</sub>:** Mandate of the OAG has no significant effect on performance audit's role of fighting corruption.

**H<sub>3</sub>:** Lack of access to information has no significant effect on performance audit's role of fighting corruption.

**H<sub>4</sub>:** Shortage of fund has no significant effect on performance audit's role of fighting corruption.

**H<sub>5</sub>:** Leadership has no significant effect on performance audit's role of fighting corruption.

**H<sub>6</sub>:** The competency of the staff has no significant effect on performance audit's role of fighting corruption.

**H<sub>7</sub>:** Absence of support has no significant effect on performance audit's role of fighting corruption.

**H<sub>8</sub>:** Compliance while conducting performance audit has no significant effect on its role of fighting corruption.

**H<sub>9</sub>:** Communication has no significant effect on performance audit's role of fighting corruption.

**H<sub>10</sub>:** Using performance audit results as a tool has no significant effect on its role of fighting corruption.

Therefore to overcome the absence of using performance audit results as corruption prevention and detection purpose, the researcher tested the reality of these factors (causes) and mitigates their impact on performance audit's role of fighting corruption.

### **1.5. Significance of the study**

Since performance audit become the important and burning issue in Ethiopia. This study is expected to have importance to many parties. First the Amhara National regional State Ethics and Anti-corruption commission can incarcerate from outcomes of the study how to prevent and reduce corruption via performance and result based audit. Secondly, ANRSOAG can use for strategic formulation. Thirdly, House of representative council especially Public Accounts Affairs Standing Committee (PAASC) can use the outcome of the study for various decisions. Fourthly, the foreign fund provider (if any) use as a basis of evaluating the project of developing performance audit and anti-corruption struggle in developing countries mainly in Amhara National regional state.

Also, it creates public awareness about performance audit. Moreover, the study disclosed those problems faced Performance auditors and the state government can use it as a base for

adjustment. Finally, the study may be used as reference for future researcher(s) and it may call the attention of the potential researcher on the area.

#### **1.6. Scope or Delimitations of the study**

The study would have been more bearable if its scope were able to cover all offices of the Auditor General and EACC in the country, but due to capacity and availability of facilities, the study is limited to the Amhara National regional State Office of Auditor General. The time period covered in the study ranges from 2002 G.C to half of 2014, which is the entire life of performance audit in the region.

#### **1.7. Limitation of the study**

The project paper has the following limitations. Firstly, lack of knowledge by the researcher on previous empirical studies conducted. Secondly, the researcher can't get all turnout performance auditors to incorporate their response.

Moreover, factors and challenges those affecting developments of performance audit that are not incorporated in this paper will affect the conclusion of the study

#### **1.8. Organization of the Study**

The research paper is organized in the following way. Chapter 1: Introduction – Which describes the problem of the study, objective of the study, the research questions and hypothesis, significance, scope and limitation of the study are presented respectively. Chapter 2: Literature Review – Which gives the detail explanation about Performance audit. Chapter 3: Data presentation and analysis Chapter 4: Discussion – Findings of the study are combined together and the research questions are answered and hypothesis tested Chapter 5: Conclusions and recommendations – Encloses the major findings, effect of the findings to the audit offices and stakeholders, the weakness of the study and areas where further research may be fruitful.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

In this chapter the theoretical and empirical works on the area of performance audit and its determinant factors in fighting corruption are reviewed. This review of the literature establishes the framework for the study and which, in turn, help in clearly identifying the gap in the literature and formulating the research hypothesis for the study.

The review has four parts. Part one presents a review of the conceptual overview of performance audit. This is pursued by a review on theoretical overview of corruption in part two. The experience of some advanced and Sub-Saharan Africa countries, on role of performance audit in combating corruption are reviewed as empirical study in part three. As a final point, conclusions on the literature review and knowledge gaps are presented in part four.

#### **2.1. Concept and development of performance auditing: theory**

In this theory part performance audit's development, basis and objectives are explained as follow.

##### **2.1.1. Development of performance audit**

The responses to the question 'when and where did performance audit first commenced?' is controversial issues in historical development of VFM audit. In general, when writing for a performance audit growth, it is good practice to analyze the early important work.

In short most studies indicate, despite the ancient recognition about the concept of performance audit is essentially a twentieth century phenomenon (Flesher et al., 2002) and is a very new development in the history of auditing. It is by-product of the modern public management and these audits are complex by nature (Gronlund et al., 2011). Currently become part of government audit, in all member countries of the International Organization of Supreme Audit Institutions (INTOSAI). In Ethiopia at federal government level, also, performance audit is developed and aged more than two decades.

##### **2.1.2. The basis of performance auditing**

The guide line of performance audit implementation issued with joint effort of 29 SAI member countries and INTOSAI (2004) state that public accountability is the root of performance audit. Public accountability means that those in charge of a government program or ministry are held

responsible for the efficient and effective running of such. Accountability presupposes public insight into the activities of the program or ministry. Performance auditing is a way for taxpayers, financiers, legislatures, executives, ordinary citizens and the media to ‘execute control’ and to obtain insight into the running and outcome of different government activities (INTOSAI 2004).

### **2.1.3. Objectives of performance audit**

Cowater (2006) states the following seven prime objectives of performance audit: to maintain and enhance public accountability; to improve accountability by strengthening the relevant supervising authority's reporting to the legislature on the performance of government departments, agencies, projects and programs; to act as a force for beneficial change in the management of resources and the achievement of value for money; to encourage improved value for money in government departments, agencies etc. where improvements are found to be necessary and cost effective; to identify well performing government organizations as possible lessons to be emulated by others; to enable to provide independent information, advice and assurance about the 3Es in the major fields of revenue, expenditure and management of other resources; and to induce and assist audited entities to take action where improvements are shown to be necessary and cost effective.

## **2.2. Theoretical overview of corruption**

In this second subpart the basic concept and types of corruption; the efforts of anticorruption players in national pillars; and methods and model of combating corruption are reviewed.

### **2.2.1. Concept and type of corruption**

Anxiety about corruption is as old as the history of government audit (Shah, 2007). The term ‘corruption’ come from Latin word called ‘corruptio’ and it mean that bribe and destroy (Hornby, 2010). Ongoing time the forms and levels of corruption are mounted. As a result, various definitions for the term “corruption”, have been given in the academic research and policy-relevant literature on corruption.

For instance, in their joint work Shah and Schacter (2004) defined *Corruption* as the exercise of official powers against public interest or the abuse of public office for private gains (Shah, 2007). Public sector corruption is a symptom of failed governance. *Governance* is defined as the norms, traditions, and institutions by which power and authority in a country are exercised.

Khan (2006) stated a highly complex phenomenon of corruption. The parties involved leave very little telltale in the form of irrefutable hard evidence. Most of the corruption takes place in an informal manner and under the dark cover of isolated contacts. At times it does not even require a spoken word. Mere eye contact can establish a relationship of corruption.

Vazquez et al. (2007) in their work concluded that there are countless types of corruption and many distinctions can be made based on the dynamics of the act (i.e., unilateral, multiparty), the agents involved (i.e., high-level officials, low-level officials, private agents), the size of the corrupt act (grand corruption or petty corruption), the budgetary functions affected (i.e., expenditures, revenues), the nature of the determinant involved (i.e., structure of incentives, institutional opportunities), and so on.

Auditors do not deal with some corruption types, such as political, social, or cultural corruption. Most of the time auditors can deal with corruption in government offices and in large public and private organizations that fall under the purview of the auditors' routine work (Khan 2006). The current study deals with corruption in public sector taking evidence from Amhara National Regional State.

#### **2.2.2. Methods of combating corruption**

There is a range of approaches from different point of views in order to get rid-off the vicious circle of corruption. To begin with, “penal-administrative approach” offers to strengthen national law and administrative structure in order for unveiling leakages from the system, betterment of institutional tools and firm punishment of those cases by strict laws and regulations. Secondly, “economy-based approach” of IMF and World Bank suggests pursuing all economic reforms needed in a determined manner (Ploskonka, 2004). Lastly, “national integrity system” a well-known concept suggested by Ibrahim Seushi, who is President of Transparency International-Tanzania in 1998 refers to eight institutions which pursue the war against corruption in an interdependent manner and lack or weakness of any of these would increase the burden of the other pillars of integrity. These institutions are political will, administrative reforms, “watchdog” agencies (anti-corruption commissions, supreme, SAIs, ombudsman office) parliaments, public awareness/involvement, the judiciary, the media and the private sector (Dye and Stapenhurst, 1998).

According to systemic approach, there is an initial need for a comprehensive anticorruption strategy that is strongly backed with political will determined to bear all its consequences. That strategy should be composed of institutional and administrative reforms on public-financial management and control system and should also ensure the involvement of civil society and citizens. Furthermore, since international cooperation would create fruitful circumstances to gain knowledge of successful and/or bitter experiences of other countries; to develop a mutual understanding of corruption and to take necessary measures in international law, contributions of international society should be taken into account at each and every step of the strategy. Consequently, systemic approach implies that lack of any level would lead to a loopholes causing to corruption (Kayrak, 2008).

### 2.2.3. Major players in anti-corruption struggle

Over the entire world anti-corruption struggle involve the following 8 major players called “pillars”: public sector anti-corruption strategies; “watchdog” agencies; public participation in democratic process; public awareness of the role of civil society; accountability of the judicial process; the media; the private sector and international business & International co-operation.

Each pillar is interdependent. If one pillar weakens, an increased load is thrown on to the others. If several weaken, their load will tilt, so that the round ball of sustainable development rolls off. Establishing a national integrity system requires identifying gaps and opportunities for utilizing each of these pillars, as well as catalyzing the work of the government, civil society and donors into a coherent framework of institutional strengthening.

Anti-corruption agencies, the office of the ombudsman, and supreme audit institutions are former of central pillar known as “watchdog agencies”. U.S. and international legal, business, and accounting associations and Nongovernmental organizations such as the American Bar Association, the U.S. Chamber of International Chamber of Commerce, Ethics Officer Association, Committee of Sponsoring Organizations, and Transparency International —have played key advisory roles in the development of various anti-corruption initiatives (Olsen 2010).

In order to trim down corruption strengthening the prevention and control capacity of key anti-corruption players such as Independent Anti-Corruption body, Supreme Audit Institutions, Ombudsmen and Inspectorates of Government, Public Accounts Committees, Parliament and Parliamentary Committees, Investigation, Police, Local government, Public complaints

mechanisms, Whistle blowing, Judiciary, and Prosecution, discipline, and sanctions is underlying operation.

#### 2.2.4. Model of corruption and struggle against roots of corruption

Both corruption and anti-corruption struggle are the function of various variables. While underlying causes of corruptions are variables that arise the level of corruption and the consequences of combatant efforts in a national integrity are considered as variables that reduce the level of corruption.

In the following two corruption model-*Klitgaard model* and *Sundgren model*, variables of opportunity for corruption and outcome of anti-corruption efforts such as Supreme Audit institution are explained. For instance, *Klitgaard* develop simple corruption model in which the amount of monopoly and discretionary power have direct relationship with the amount of corruption and Accountability has indirect relationship. Eliminating the monopoly and discretionary power might reduce amount of corruption but not eliminate it. Thus, elimination of corruption was not usually an economic objective of development reforms (Vazquez et al. 2007).

##### ***Klitgaard model***

Simply defined, corruption is the abuse of public power for personal gain or for the benefit of a group to which one owes allegiance. It occurs at the intersection of public and private sectors, when public office is abused by an official accepting, soliciting, or extorting a bribe. Klitgaard (1996) has developed a simple model to explain the dynamics of corruption:

$$C \text{ (Corruption)} = M \text{ (Monopoly Power)} + D \text{ (Discretion)} - A \text{ (Accountability)}$$

In other words, the extent of corruption depends on the amount of monopoly power and discretionary power that an official exercises. Monopoly power can be large in highly regulated economies; discretionary power is often large in developing countries and transition economies where administrative rules and regulations are often poorly defined. And finally, accountability may also be weak, either as a result of poorly defined ethical standards of public service, weak administrative and financial systems and ineffective watchdog agencies (Dye and Staphenurst, 1998).

In the above equation accountability is included as a function of transparency since transparency makes accountability work effectively by implying that “sufficient information must be available



so that other agencies and the general public can assess whether the relevant procedures are followed, consonant with the given mandate”(ARC, 2007).

The end objective of public financial accountability varies between countries and is influenced by the culture of public-sector governance. It has beneficial consequences in reducing levels of financial corruption and in the deterrent effect on public officials (Hedger and Blick, 2008).

Audits are fundamental to accountability can contributes to public information about violations of accepted standards of ethics and deviations from principles of legality, accounting, economy, efficiency and effectiveness (Dye and Stapenhurst, 1998). This, in turn, upholds level of transparency and accountability in public-financial management system. This preventive function is considered as the most prominent contribution of SAIs to struggle against corruption (Kayrak M., 2008). SAIs should have their functional, legal/constitutional, financial and managerial independence to fully satisfy requirements of fostering transparency and accountability in public sector (INTOSAI, 2001).

### ***Sundgren Model***

The other model is developed by Bengt Sundgren, Performance Audit Manager of AFROSAI-E. The model is straight forward; corruption can be seen as a function and the degree of corruption depends on the relationship between different factors:

$$\text{Corruption} = \frac{\text{Degree of Complication} + \text{Waiting Time}}{\text{Degree of Control} + \text{Degree of Consequences}}$$

Also, Sundgren(2009 and 2011) elaborated how the model is used with fighting against corruption as follow:

*“The risk for corruption is a function of the amount of control and the degree of consequences if the corrupt civil servant is caught. It is also a function of the complication in the decision making process and the amount of time to get the service without a bribe. From the model it is evident that the more complicated decision processes and the longer*

*waiting times the larger risk for corruption. The lesser control and risk to be caught and if, even when caught, there is no or only minor consequences the larger is the risk for corruption. As mentioned above corruption deforms the public sector. There are no incentives for a “civil servants” who wants a bribe to improve his work or the function of the organization, on the contrary the more dysfunctional an organization is the more bribes can be collected.”*

## **2.3. Empirical studies on determinants of performance audit and its role in combating corruption**

Factors affecting performance audit or Value-for-money audit, role of performance audit in combating corruption in developed nations and SSA presented in this empirical part.

### **2.3.1. Determinant factors affecting performance audit**

Many of the factors that lead SAIs successful claimed in various papers. For example, Financial Accountability & Anti-Corruption Team(FACT) of UK identify eight factors that affects audit conducted by SAI(Crown, 2005): legal framework of Independence, audit remit, access rights, reporting; leadership and strategy; governance of the SAI; adequacy of staff resources (the number and skills of staff available to the SAI); the adequacy of other key resources available to the SAI (finance, Office Space, corporate knowledge base(library), Utilities and IT and non-IT equipment); audit methodology used to deliver audit work such as National standards, INTOSAI standards and International Standards on Auditing (ISAs); relations with external stakeholder including Public Accounts Affairs Standing Committee, audited bodies, Ministry of Finance, the media, civil society and the general public; and the actual outcomes (timeliness, monitoring and follow Up) achieved by the SAI.

Numerous factors that determine the success of SAI also specifically affect the value for money audit conducted. Of these, Dye and Stapenhurst (1998) stated that having a clear mandate, independence, adequate funding and staff, and the sharing of knowledge and experience are essential for SAI success.

White and Hollingsworth (1999) and Waring and others (2006) in their joint work mentions several key requirements to an effective audit function. These include organizational independence, a legal mandate, unrestricted access to information, sufficient funding, competent leadership, competent staff, stakeholder support, and professional audit standards. A few of these

elements are present in some countries in Sub-Saharan Africa. Even the most advanced countries around the world will not have all of them fully in place (Waring and Morgan, 2007).

### **2.3.2. Corruption reduction role of performance audit in advanced countries and in Sub-Saharan Africa**

Numerous researchers forwarded multitask of performance audit. For instance, Abdullah (1993) claim that performance audit can improve trust in government's institutions and organizations and strengthen the relationship between the governments and their citizens; Premchand (1993) and Jones and Pendlebury (2000) argue that performance audit promote more efficient and effective public management, supporting initiatives aimed for producing clear objectives, means to assess them, and measurements of outputs or performance in relation to those objectives, so as to achieve the best use of resources and value for money; Al Athmay (2008) assert that the increasing growth of government expenditure makes performance audit understandable and necessary;

Other researchers and well experienced Auditors argue that in many countries performance audit is used as a tool against corruption. For instance, Dye and Stapenhurst (1998), Borge(1999), Pope and Jeremy (2000) work indicated that performance audit play a central role in preventing and detecting corruption; ADBOECD (2005) assert that in Maldives a mix of internal, external and performance audits conducted to deter and detect possible corruption; Blume and Voigt (2007) verify that performance or value-for-money auditing checks whether the citizens have received value for their money in less perceived levels of corruption; and, Mukasa (2010) claim that in Uganda Law Society (ULS) new anti-corruption project as tool of combating corruption value for money audit is in use.

Late 1990s in China(also including Hong Kong) an 'economic responsibility audit' (ERA) and performance audit play a significant development in china and used as a tool against corruption(Gong, 2009). For instance, by the end of 2005, auditors had performed such audits on over 240,000 leading officials. More than RMB500 billion of irregular financial expenses were uncovered, among which at least 34 billion had been incurred due to the failure of leading cadres to fulfill their official duties. The auditing results led to the demotion and dismissal of more than 16,000 officials, of whom more than 4800 cases transferred to judicial agencies for further action (Gong 2009).

Also, Dye (2007) in his individual work state that Performance audits are designed to compare operational performance against norms and predetermined criteria. They can therefore be designed to include some references to laws and regulations and to assist in identifying fraud and corruption. Because performance audits focus on operational issues, especially in high-risk areas, it is not uncommon for auditors to notice some activities that are not in accordance with rules and regulations. Thus, although performance audits are not designed to identify fraud and corruption, these issues sometimes surface.

In many countries procurement reformers and anti-corruption advocates the need of audit oversight to protect the integrity of the procurement process (Matechak,nd). For example in UK, If the goods or services purchased clearly show good value for money there can have been little financial loss from any form of corruption, whatever forms that corruption might take. If the value for money audit shows a poor result, that indicates a misuse of public funds whether from corruption or incompetence. From 1997 the NAO was given greater freedom to criticize Government policies as well as policy implantation and management if these did not secure good value for money. Also, about 38 percent of NAO resources are dedicated to performance auditing to produce over 50 reports annually (Osborne, 2007).

The Office of Auditor General of Zambia (2007), disclosed that in Zambia performance audit is used to improve service delivery in the public sector, maximize value for money the use of public resources, safeguard public assets and act as deterrence to fraud and corruption. As a result, due to audit and other factors level of corruption reduced in Zambia.

Sundgren (2009 and 2011) served as performance auditor for long period described that Performance audit can be seen as a tool in the fight against corruption.

Finally, considering its significance that performance audit has in combating corruption international institutes such as INTOSAI and World Bank (Dye, 2007) make it their strategic issue and area of focus. For example, the current 5 years strategic plan of INTOSAI from 2011 to 2016 provides guidance for using performance audits for the purpose of promoting good governance and fighting corruption.

A properly planned and executed performance audit would highlight areas of diseconomy, inefficiency and failure to achieve results and impact. The argument is that if a project or

program has been planned properly, it should be possible to implement it with due regard for economy and efficiency and it should achieve its results. If it exceeds its planned costs significantly or takes much longer than envisaged or does not achieve what was intended, then there is a possibility that the people involved in its management may have indulged in corruption. Although the above argument is plausible, yet the existence of diseconomy, inefficiency or ineffectiveness is not a conclusive proof of corruption. There could be genuine reasons of human failings, or complex and difficult environmental factors which inhibited the achievement of objectives. There could, simply, be a case of unintentional human negligence, not taking into account all the risks and costs. Thus performance auditing carried out in a routine manner may not indicate a concrete evidence of corruption (Khan 2006).

In European Union member countries the wider scope of a public sector audit include some aspects of performance auditing or a comprehensive assessment of the arrangements for ensuring legality and preventing and detecting fraud and corruption (SAI EU 2004).

As Wynne (2010) stated, in many countries in Sub-Saharan Africa, valuable performance audits are conducted, at the local, regional, or national level. Regulatory enforcement effectiveness, effectiveness of procurement processes, effectiveness of revenue collection processes; reliability of reported performance data; asset management; validity of performance measures; cost of services ,such as cost per patient visit in health clinics, cost per household for sanitation and solid waste pickup, and cost per thousand; service timeliness, access, equity, and availability, staffing ratios compared with benchmarks and utilization rates are the common areas where performance audit conducted in countries in Sub-Saharan Africa (Waring and Morgan, 2007).

Challenges constrain the introduction and effective functioning of a performance audit function in the public sector includes corruption, poverty, poor governance, poor infrastructure, and a continuous brain drain. Some, such as poverty and infrastructure problems, can be incorporated into the performance audit plan. The tractability of other challenges—primarily corruption and poor governance—depends on the level at which they occur. If the highest levels of government are corrupt or incompetent, it will probably not be possible for the performance auditor to be effective. However, if the audit function enjoys unwavering support at the highest levels of government, it can serve as a powerful tool in rooting out corruption and identifying needed improvements in management practices. This is especially true if the performance auditors

combine forces with fraud investigators, forensic accountants, and law enforcement officials (Waring and Morgan, 2007).

Vazquez et al. (2007), argue that the region of sub-Saharan Africa (SSA) known with where worst cases of pervasive corruption take place. Based on Corruption Perceptions Index 2009 in AFROSAI-E member countries, consequential decrease in corruption took place in Botswana, Mauritius, Seychelles, South Africa, Namibia and Ghana. However, Angola, Zimbabwe, Sierra Leone, Kenya, Uganda, Nigeria and Mozambique are the AFROSAI-E member countries with most corruption (the lowest scores) in 2009.

The other challenges faced in SSA with conducting performance audit the existence of a few key requirement elements to an effective audit function. These include organizational independence, a legal mandate, unrestricted access to information, sufficient funding, competent leadership, competent staff, stakeholder support, and professional audit standards. A few of these elements are present in some countries in Sub-Saharan Africa. Even the most advanced countries around the world will not have all of them fully in place (Waring and Morgan, 2007).

Public sector audit is complex and not as independent of the executive as it should be in many Sub-Saharan African countries (Wynne, 2010). This lack of adequate independence for Supreme Audit Institutions is, of course, not limited to Sub-Saharan Africa. An INTOSAI survey undertaken in 2000 found that of 113 Supreme Audit Institutions around 70 had their primary accountability to parliament whilst in nearly 40 cases it was to the head of state. Similarly AFROSAI-E (the regional body for Anglophone Supreme Audit Institutions) found, in 2001, that only 5% of their members considered that they had adequate independence (Wynne, 2010).

Countries with well outstanding audit function such as Botswana, Mauritius and Ghana have low level of corruption. Fikeremarkos (2009) argue that Botswana is presenting the lowest corruption prevalence rate in Africa due to political commitment, equitable distribution of resources, stable social and economic environment, integration of the fight against corruption with good governance and ensuring transparency, accountability, and competence in the executive, legislative, judiciary, audit, police and electoral commission systems (FEACC, 2009). Also, both Botswana and Ghana are best performing performance audit among AFROSAI-E member

countries. As a result, AFROSAI-E in cooperation with the Swedish National Audit Office (SNAO), award the SNAO Prize for them.

Dadi (2009) conducted the study on performance audit in Ethiopia and indicated four contribution of value-for money audit in expenditure management via enforcing the executive's accountability toward the legislature and citizens, combating corruption, facilitating good governance, and aiding financial management. It also assist in making different policy instruments such as subsidies, grants, levies, loans and public information campaigns.

### **Indicators of corruption highlighted by performance auditing**

Khan (2006) stated Performance auditing can, however, provide some clue to corruption if it exists. For this purpose, the performance auditors need to go a step deeper into the issues identified during the audit planning stage.

Generally, if the finding of the performance audit shows a suspicion that corruption had taken place in these projects or programs would be quite high.

## **2.4. Empirical conclusion and knowledge gap**

The late 20<sup>th</sup> century public sector reform (Holmes, 1992; Hood, 1991) performance audit emerged in more than 140 INTOSAI member countries (Kellner 2000). Primarily it used to maintain accountability and improve value for money in government units (Cowater 2005).

Also, in developed and under developed nations it used as a tool against fighting corruption. For example, Dye and Stapenhurst (1998), Borge(1999), Pope and Jeremy (2000) work indicated that performance audit play a central role in preventing and detecting corruption; ADB-OECD (2005) assert that in Maldives a mix of internal, external and performance audits conducted to deter and detect possible corruption; Blume and Voigt (2007) verify that performance or value-for-money auditing checks whether the citizens have received value for their money in less perceived levels of corruption; and, Mukasa (2010) claim that in Uganda Law Society (ULS) new anti- corruption project as tool of combating corruption value for money audit is in use.

However, harmonized approach of using such audit is not clearly stated by researchers and INTOSAI. On the 16<sup>th</sup> INCOSAI even though, the role and experiences of SAI in preventing and

detecting fraud and corruption discussed, studies conducted by INTOSAI and regional SAIs are too low (Kellner 2000; Khan 2006; Kayrak 2008 and Sundgren 2011).

Since 1992 performance audit practice emerged in Ethiopia. However, due to probable problems faced, it is not developed as other countries like Botswana. Botswana is African country with less corruption but Ethiopia with serious (Sundgren 2011). Audit played role to combat corruption in Botswana (Fikremarkos 2009).

On the other hand, studies conducted in SSA on how to use performance audit finding as a tool against corruption were minimum (Sundgren 2011). Especially, in Ethiopia while the issue of performance audit and corruption currently become a burning issue. As a result, the current researcher is very interested to conduct the study on this area.

The conceptual framework of this research is to identify the determinant factors of performance audit to use as a tool for preventing and detecting public sector corruption in Amhara National Regional State.

Lastly, both corruption and performance audit are global hot issues, the research method and the findings used in this study may have application to other regions and countries. The next chapter provides details of the research method in respect of the identified research problem.

#### **2.4.1. Organizational Independence**

The Ethiopia government auditing standard (EGAS 2006) states that in all matters related to their audit work, the audit offices and their individual auditors must have independence from the legislature, executive and the management of the audited entities.

#### **2.4.2. Mandate**

The mandate of performance auditing should be defined in the legislation, and special regulations are often needed that specify the conditions for performance auditing. The mandate should cover the whole state budget, including all relevant government undertaking and all relevant public services. The mandate should allow for audits of both individual government institutions and large state-owned enterprises of public interest as well as government-wide programs from different perspectives. The performance auditor must be given the freedom to select audit areas within the performance audit mandate. (<http://www.intosai.org>)



#### **2.4.3. Access to information**

Special regulations are often needed that specify the conditions for performance auditing, for example, access to information from sources other than the auditees, the ability to give recommendations, the mandate to scrutinize government undertakings and programs, and the effectiveness of legislation. Audits should be conducted with complete and unrestricted access to employees, property and records. (<http://www.intosai.org>)

#### **2.4.4. Funding**

The audit function must have sufficient funding relative to the size of its audit responsibilities.

This important element should not be left under the control of the organization under audit because the budget affects the audit function's capacity to carry out its duties.

(<http://www.intosai.org>)

#### **2.4.5. Leader**

The Ethiopia government auditing standard (EGAS 2006) states that the work of the audit staff at each level and audit stage should be properly supervised during the audit, and documented work should be reviewed by a senior member of the audit staff.

Supervision involves directing audit staff and external consultants who are involved in the audit and monitoring their work to ensure that the audit objectives are met and the quality of audit work is maintained. Proper supervision is necessary regardless of the competence of individual auditors.

Supervision is an essential and continuous process and should be done throughout the audit process by senior auditors, division heads and department heads to ensure that.

#### **2.4.6. Staff**

The Ethiopia government auditing standard (EGAS 2006) states that the audit team must collectively possess the required competence.

Each audit office needs to command the range of skills and experience necessary for effective discharge of the audit mandate. Thus, the audit offices should equip themselves with the full range of up-to-date audit methodologies including systems-based techniques to audit automated information systems.

The audit offices should adopt policies and procedures to recruit personnel with suitable qualifications for performance audit such as accounting, statistics, law, engineering, architect, automated data processing, public administration, economics or other related social sciences.

#### **2.4.7. Support**

The Ethiopia government auditing standard (EGAS 2006) states, performance audits are complex exercises requiring a wide range of skills, expertise and experience to be completed cost-effectively. Considerable judgment is required at all stages of the audit. The audit team should consult with knowledgeable staff and advisory groups within the Office, subject matter specialists, and others as appropriate, including entity management, to obtain advice and guidance before finalizing the audit plan.

The audit office may acquire external and internal experts throughout the audit as consultants and adviser if the successful carrying out of an audit so requires in order that the audit findings, conclusions and recommendations are perceptive and soundly based and reflected.

The audit team should use the services of an advisory committee. Members of the advisory committee could be both from inside and outside the audit office and should be selected on the basis of their skills, insight, relevant knowledge (e.g. subject matter specialist) and experience.

#### **2.4.8. Compliance**

The Ethiopia government auditing standard (EGAS 2006) states that the audit offices adopt policies and procedures to prepare manuals and other written guidance and instructions concerning the conduct of the performance audits.

The audit offices should communicate to their staff by means of circulars containing guidance, and the maintenance of an up-to-date audit manual setting out their policies, standards and practices so as to maintain the quality of audits.

The audit offices should attempt to update their performance audit manuals with latest methodologies and practices on a pre-determined regular period. The audit offices should revise and update their manual and guidance in the light of new Federal and Regional Government policies.

#### **2.4.9. Communication**

To get a required performance improvement and to take appropriate action based on the result of performance audit, Audit reports should be submitted to the legislature, the audited entity and to other the appropriate organizations.

The report should be submitted to the legislature, the auditee, officials designated by law or regulation to receive such reports, those responsible for acting on the findings and recommendations, those who have legal oversight authority, those who have provided assistance to the audited entity, including external funding organizations. (EGAS 2006)

#### **2.4.10. Using as a tool**

In many countries performance audit is used as a tool against corruption (Dye and Stapenhurst 1998; Borge 1999; Pope and Jeremy 2000; ADB-OECD 2005; Blume and Voigt 2007; Dye 2007; Waring and Morgan 2007; Gong 2009; Mukasa 2010; Sundgren 2011; and Matechak nd). Amhara national Regional State should start using performance audit results in corruption prevention struggle.

#### **2.4.11. Performance Audits Role of Fighting Corruption**

Countries with well outstanding audit function such as Botswana, Mauritius and Ghana have low level of corruption. Fikeremarkos (2009) argue that Botswana is presenting the lowest corruption prevalence rate in Africa due to political commitment, equitable distribution of resources, stable social and economic environment, integration of the fight against corruption with good governance and ensuring transparency, accountability, and competence in the executive, legislative, judiciary, audit, police and electoral commission systems (FEACC, 2009). Also, both Botswana and Ghana are best performing performance audit among AFROSAI-E member countries. As a result, AFROSAI-E in cooperation with the Swedish National Audit Office (SNAO), award the SNAO Prize for them. Ethiopia should strength its audit function and start to use audit results in its corruption prevention struggle.

The determinant factors of performance audit's role in fighting corruption are identified as independence, mandate, access to information, funding, leadership, staff, support, Compliance, communication of results and using as a tool and their degree of influence are measured by using evidence from Amhara National Regional State.

## CHAPTER THREE

### RESEARCH METHODOLOGY AND DATA COLLECTION

#### 3.1. Introduction

This section discusses the method and procedure that was employed in carrying out the research and it also discuss the research design, study population, sample size, sampling design, and data analysis.

#### 3.2. Research Design

The research design that was employed in this study has both quantitative and qualitative nature of the survey type and it attempts to examine the various determinant factors (independent variables) that can affect the role of performance audit in fighting corruption (dependent variable) in Amhara National Regional State. The Correlation and Regression approaches are used to investigate the relationships between the variables of the study in a causal system by avoiding bias, summarization of large information and testability of the hypothesis. This is because the objective is to examine the cause and effect of the determinant factors (organizational independence, mandate, and unrestricted access to information, funding, leadership, staff, support, compliance, communication and using as a tool) on performance audit's role of fighting corruption.

#### 3.3. Population and Sample size

The number of performance auditors currently engaged in ANRSOAG are 15 (target population). All of them are selected for the data collection purpose of this research (100%). The questioner has been sent to each auditor and each performance auditor was invited to respond for the research.

In addition 12 performance auditors are turn out from performance audit department and 5(41.67%) of them are selected to respond for the research. The cause for limiting the sample size is the inaccessibility of these auditors.

#### 3.4. Data type and Sources

In order to gather relevant information both primary and secondary data are selected.

### **Primary Data**

This relevant data is collected from the performance auditors through questionnaires and performance audit department head through interview.

### **Secondary Data**

This data is collected through review of reports, text books and company documents.

## **3.5. Definition of Variables and Model Specification**

### **3.5.1. Operational Definition of Performance Audit**

Performance auditing is an audit of economy, efficiency and effectiveness with which a government organization, a program, a project, an activity or a function uses its resources in carrying out its responsibilities. It embraces:

- (a) Audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies;
- (b) Audit of the efficiency of utilization of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and
- (c) Audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.

Performance audit is intended to be a broad, constructive examination and diagnosis of policies, organization and operations of a government entity. It calls for appraisals of an organization to compare accomplishments with plan, results with standards, and practice with policy. The objective is to arrive at a dispassionate and verifiable basis for comparing what is being done (and how well it is being done) with the plans, policies and standards and, most importantly to understand the reasons for positive or negative variance from those plans, policies and standards.

Performance audits are necessary for a more complete picture of what is taking place inside the organizations. Financial audits alone do not give this completeness, which is desirable for effective control and accountability of any organization (Performance Audit Manual 2004).

### **3.5.2. Operational Definition of Corruption**

Shah and Schacter (2004) in their joint work, defined Corruption as the exercise of official powers against public interest or the abuse of public office for private gains (Shah, 2007). Public sector corruption is a symptom of failed governance. Governance is defined as the norms, traditions, and institutions by which power and authority in a country are exercised.

### **3.5.3. Dependent Variable**

Performance audit has a role of detecting and exposing corrupted and fraudulent officials by measuring the economical, efficient and effective operation of public sectors (performance audit manual 2004). In developed and under developed nations Performance Audit is used as a tool against fighting corruption. For example, Dye and Stapenhurst (1998), Borge(1999), Pope and Jeremy (2000) work indicated that performance audit play a central role in preventing and detecting corruption; ADB-OECD (2005) assert that in Maldives a mix of internal, external and performance audits conducted to deter and detect possible corruption; Blume and Voigt (2007) verify that performance or value-for-money auditing checks whether the citizens have received value for their money in less perceived levels of corruption; and, Mukasa (2010) claim that in Uganda Law Society (ULS) new anti- corruption project as tool of combating corruption value for money audit is in use.

Performance audit can help to improve governance processes by focusing on how values are established to ensure effective and efficient control and management of public sector entities.

The dependent variable in this study is the role of performance audit in fighting corruption, which require organizational independence, formal mandate, unrestricted access, sufficient funding, competent leadership, competent staff, management and stakeholders support, professional audit standards, line of communication b/n stakeholders and using the reports not only to detect fraudulent acts and take a corrective action on participants of fraud but also to use as a preventive measure of fraud and abuse. Since the effective role of performance audit in fighting corruption depends on the existence or non existence of these elements, and hence treated as independent variables (predicators) of the study.

### **3.5.4. Independent variables**

The independent variables of this study as mentioned above are organizational independence, formal mandate, unrestricted access, sufficient funding, competent leadership, competent staff,

management and stakeholders support, professional audit standards, line of communication b/n stakeholders and using the reports to protect and detect fraud.

**Organizational independence:-** The performance audit manual(2004) states that performance audit should be sufficiently independent of not only from the legislative and executive body but also the management of the audit and audited entity to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgment and recommendations. The Ethiopian Government Auditing Standards (EGAS, 2006) declared that the organizational independence allows the audit activity to conduct their audit without interference by the entity under audit. It also stated that in all matters related to their audit work, audit offices and individual auditors must have independent from the legislature, executive and the management of the audited entity.

**Management & stakeholders support:-** Management & stakeholders support to performance audit is considered as one of the determinant factors of performance audit's attributes . In line with this notion, the performance audit manual states that heads of performance audit should co-ordinate performance audit plans and activates with the management, other performance auditors to ensure that most effective audit coverage is achieved and duplication of the effort is minimized. In the broader sense the institute indicates that the legitimacy of the audit function and its mission should be understood and supported by a broad range of elected and appointed government official as well as the media and involved citizens.

**Formal mandate:-** The audit function's powers and duties should be established by the government's constitution, charter or other basic legal documents . Among other topics, this document would address procedures and requirements of reporting, the obligation of the audited entity to collaborate with the auditor. The existence of proper audit charter assists the audit function to perform its role independently of management influence and objectivity. In relation to this the INTOSAI's auditing standards (AS 2.2.12, 2.2.19, 1.0.32-38, 1.0.42 and 1.0.47) which states the audit mandate and the general goals should be properly defined Statutes generally lay down the audit mandate. Among other things it regulates the extent to which a SAI can audit public sector programs and organizations. Special regulations are often needed that specify the conditions for performance auditing, for example, access to information from sources other than the auditees, the ability to give recommendations, the mandate to scrutinize government

undertakings and programs, and the effectiveness of legislation. The mandate ordinarily specifies the minimum audit and reporting requirements, specifies what is required of the auditor, and provides the auditor with authority to carry out the work and report the results. From this we can understand that without a mandate to carry out a certain assignment the OAG can't undertake any action

**Unrestricted access:-** As discussed above under mandate, Audits should be conducted with complete and unrestricted access to employees, property and records

**Sufficient funding:-** The audit function must have sufficient funding relative to the size of its audit responsibilities. This important element should not be left under the control of the organization under audit because the budget affects the audit function's capacity to carry out its duties

**Competent leadership:** The head of the audit function must be able to effectively recruit, retain and manage highly skilled staff. Moreover, the chief audit executive should be an articulate public spokesperson for the audit function

**Competent Staff:-** The Ethiopia government auditing standard (EGAS 2006) states that the audit staff who have line responsibility for ensuring the quality of audits should supervise and review audit activities and the audit report by using the auditing standards. Office of Federal Auditor General define the minimum level of skill, knowledge and experience required of the performance auditor and the Head of performance Audit. It also states the head of performance Audit should be qualified and have a wide experience of management.

**Professional audit standards:-** professional audit standards support the implementation of the previous elements and provide a framework to promote quality audit work that is systematic, objective, and based on evidence just as many governments have adopted internal control standards as either requirements or guidance for public sector managers, audit functions should conduct their work in accordance with recognized standards (EGAS,2006) performance auditing is conducted in diverse legal and cultural environments within organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While difference may affect the practice of performance auditing in each environment, conformance with the Ethiopian Government Auditing Standards for the professional practice of performance



auditing (standards) is essential in meeting the responsibilities of performance auditors and the performance audit activity.

The literature above state in general term the role of performance audit function in public sector governance and challenges associated with its function. But, there is inadequate prior empirical studies which examine to what extent the role of performance audit function is affected in related to organizational independence, formal mandate, unrestricted access, sufficient funding, competent leadership, competent staff, management support, professional audit standards, line of communication b/n stakeholders and using the reports to protect and detect fraud.

Hence, to fill this gap, this study formulates the following model

### **Model specification**

$$\text{Role} = 0 + 1 (\text{Independence}) + 2 (\text{Mandate}) + 3 (\text{Access}) + 4 (\text{Funding}) + 5 (\text{leader}) + 6 (\text{staff}) + 7 (\text{support}) + 8 (\text{compliance}) + 9 (\text{Communication}) + 10 (\text{using as a tool}) +$$

Where

- Role R= role of performance audit function in Fighting Corruption
- 0= intercept of the regression line
- Independence = existence of organizational independence measured by total items scored
- Mandate = existence of formal mandate /audit charter measured by total items scored
- Access = existence of unrestricted access to records measured by total items scored
- Sufficient funding = existence of sufficient funding measured by total items scored
- Leader = existence of competent leadership measured by total items scored
- Staff = existence of competent performance audit staff measured by total items score
- Support = existence of top management & stakeholders support measured by total items scored
- Compliance = existence of compliance with professional audit standards measured by total items score
- Communication = line of communication b/n stakeholders and
- Using as a tool = using performance audit reports to protect and detect fraud.
- = is the error term associated with the 1<sup>st</sup> observation

This study empirically analyzes how these determinant factors (independent variables) affect the role of performance audit function in fighting corruption (dependent variable) in public sector governance by distributing structured closed-ended & open-ended questionnaires to existing and turnout performance auditors of Amhara National Regional State of Auditor General and support the questionnaire results by open-ended interview from performance audit division of Amhara National Regional State Office of Auditor General.

### **3.6. Data Processing, Analysis and Presentation**

After collecting the data, it was edited, coded and checked to have the required quality, accuracy and completeness. Then data has been analyzed using an SPSS (statistical package for social science) program which provides descriptive outputs. Correlation analysis tools were carried out to establish the strength of the relationship between variables. The multiple regression analysis is also used to determine how the predictor variables could explain the dependent variable. This is because there is more than one variable affecting the dependent variable.

## CHAPTER FOUR

### DATA ANALYSIS AND PRESENTATION

#### 4.1. Introduction

In this section the researcher discussed data analysis and interpretation parts of data collected primary data through questionnaires and structured interviews. On the other hand, secondary data from books, audit manuals, prior audit reports, and other documents that were relate to the topic of the study.

The researcher has distributed, 15 questionnaires for all currently engaged performance auditors of which 15 were collected (100% response rate). In addition, 5 questionnaires were distributed to turnout performance auditors, from them 5 were collected (100% response rate) and head of performance audit division of OAG was interviewed at the time of data collection. The total questionnaires distributed to the respondents were 20, of which 20 questionnaires were collected (100% response rate). Finally, the researcher conducted a structured interview with head of performance audit division of OAG. Both the questionnaires and structured interview attached at the end of the study as Appendices A to B. The descriptive measures of each questions response, an interview and document sources results are presented in the following sections.

#### 4.2. Personal Profile of Respondents

##### 4.2.1. Personal Information of respondents

The personal profile of respondents in terms of target group, Sex, Age, Education Back ground, Field of study, and Working Experience was as follows

##### 4.2.1.1. Response Rate by Target Group

**Table 1: Response Rate by Target Group**

		Number of Questionnaires Distributed	Number of Questionnaires Returned	Response rate
Valid	Existing PA	15	15	100%
	Turn out PA	5	5	100%
	Total	20	20	100%

Sources: Survey Data

According to the above table 1, 20 questionnaires which were the total questionnaires distributed to the respondents and 20 questionnaires received, it represents 100%, responded to the questionnaires. The data collected by the researcher are used to analysis to build up conclusions and recommendation of the study.

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#### 4.2.1.2. Age and Sex of Respondents

**Table 2: Sex of respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	17	70.8	85.0	85.0
	Female	3	12.5	15.0	100.0
	Total	20	83.3	100.0	

*Sources: Survey Data*

The above table 2 shows that among the total 20 respondents, 17 of the total respondents (85%) are males and 3 of them (15%) are females.

**Table 3: Age of Respondents in Years**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	26 - 35	17	70.8	85.0	85.0
	36 - 50	3	12.5	15.0	100.0
	Total	20	83.3	100.0	

*Sources: Survey Data*

Table 3 above shows that the age composition of the total 20 questionnaire respondents are 17 of the total respondents (85%) are under the age category of 25-35 years and; 3 of the total respondents (15%) are under the age interval of 36-45 years.

From the analysis the majority of respondents are under the age category of 25-35 years (85%), followed by 36-50 years (15%). Thus, the data indicates most of the performance auditors are under the age of active and productive age. This the productive age of performance auditors' helps to achieve the audit coverage and audit quality goal of Amhara National Regional State Office of Auditor General.

#### 4.2.1.3. Educational Level of respondents

**Table 4: Educational Level Of Respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor Degree	16	66.7	80.0	80.0
	Above Degree	4	16.7	20.0	100.0
	Total	20	83.3	100.0	

*Sources: Survey Data*

According to table 4 above, regarding educational level of respondents, out of 20 respondents, 16 of the total respondents (80%) are Bachelor Degree holders and 4 of the total respondents (20%) are above Degree holder. As indicted in the table above, majority of the respondents are Bachelor degree holders and they are expected to work every performance audit activity of OAG because they are assumed as skilled manpower.

#### 4.2.1.4. Respondents Field of study

**.Table 5: Respondents Field of Study**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Business and Economics	20	83.3	100.0	100.0

*Sources: Survey Data*

Table 5 above shows that from 20 respondents, 20 respondents which represent 100% are Business & Economics graduates..

According to Performance Audit Manual, external Audit project (Cowater International Inc.,2003 & 2006), regarding performance audit field of study multi-disciplined back ground has been seen as the most important requirement for entry into the performance audit work. However, all performance auditors of ANRSOAG are graduates of Business and economics field of study. Therefore, field of study can't make the OAG to carry out every performance audit assignments with the required audit quality

#### 4.2.1.5. Respondents Work Experience in Performance Audit

**Table 6: Respondents Experience on Performance Audit**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less Than 1 Year	2	8.3	10.0	10.0
1 - 2 Years	3	12.5	15.0	25.0
2 -3 Years	3	12.5	15.0	40.0
3 - 4 Years	7	29.2	35.0	75.0
4 - 5 Years	1	4.2	5.0	80.0
Above 5 Years	4	16.7	20.0	100.0
Total	20	83.3	100.0	

*Sources: Survey Data*

Table 6 above indicates that from the total 20 respondents, 2 (10%) respondents have the work experience of less than 1 year, 3 of them (15% respondents) have 1-2 years' work experience, 3 (15%) respondents have 2-3 years' experience, 7 (35%) respondents have 3-4 years' experience,

1 (5%) respondents have 4-5 years' experience and 4 of them (20%) respondents have greater than 5 years' work experience.

This indicate that most of the respondents have 3-4 years' work experience(1 respondent from the 7 is turn out performance auditor) and followed by more than 5 years' experience (4 respondents from the 6 are turn out performance auditors), 1-2 years' & 2-3 years' work experiences, less than 1 year work experience and 4-5 years' work experience.

The analysis indicates that experiences of the performance auditors have significant effect to carry out any performance audit assignment. Thus, the finding is supported by Performance Audit Manual, external Audit project (Cowater International Inc., 2003 & 2006), performance audit should be appropriately staffed in terms of experience, having regard to its objectives and standards.

Experienced personnel (who have proven and demonstrated abilities to perform audit work) can be used to identify the required competencies to perform internal audit work.

### 4.3. Descriptive Statistics

In this study eleven variables were identified as independence, mandate, Access to information, funding, leadership, staff, support, compliance, communication, using as a tool and role of performance audit. Descriptive analysis was conducted on the whole data set for variables in order to understand its nature and types of distribution (mean, and standard deviation). And the results show in table 7 below

**Table 7: Descriptive Statistics of variables**

	Mean	Std. Deviation	N
Independence	3.5946	.68008	20
Mandate	3.1115	.86835	20
Access	3.3836	.64735	20
Funding	3.3361	.91160	20
Leadership	2.9836	1.25820	20
Staff	3.4672	.84838	20
Support	3.4049	.89896	20
Compliance	3.6762	.65087	20
Communication	2.8762	.57088	20
Use	3.6476	.74808	20
Role	3.8243	.79394	20

Source: Survey data

To analyze the results, the researcher distributes closed and open questions for respondents and the response has been summarized and incorporated in the paper.

Given the inadequate empirical research on this issue, this study designed empirical model for factor affecting the role of performance audit in fighting corruption in the region.

The model explains 95% coefficient confidence level (below in Table 10). This means the combined effect of independent variables(organizational independence, formal mandate, unrestricted access to information, sufficient funding, competent leadership, competent staff, management & stakeholders support, compliance with professional auditing standards, communication of performance audit results and using performance audit results as a tool to combat corruption) explain 95% of performance audit's role of fighting corruption and the remaining 5% explained by other factors which were not mentioned in this study represented as error term( ).

The respondents were asked to raise their views on independence of ANRSOAG from the executives and legislatives, 20% of the respondents agree about the office's independence and 16(80%) of the respondents disagree about the offices independence from the legislatives and 6(30%) agree and 70% disagree about the political independence of the auditor general(Appendix C). In addition to the result obtained from the respondents of the questionnaire, the interview result confirmed the political assignment of the auditor general. The mean of independence as shown in Table 7 is 3.5946, which is in the average of agreeing on the items designed to measure the variable. It ensures that independence of the office is no accepted by most of the respondents. The standard deviation of independence shown in the table 7 is 0.68008 which is far from the mean.

According to the data collected on mandate, 100% of the respondents said the OAG has a mandate to carryout VFM audit and 20% of the respondents believe that the office and its staff has legal immunity, (8% of them respond the office and its staffs has no legal immunity in conducting performance audit (Appendix D). Table 7 displays that the extent of mandate and its effect on performance audit's role in fighting corruption, which the respondents feeling has mean of the variable, is 3.11115. This mean even if the mandate of the organization permits to conduct performance audit other matters should be incorporated in the mandate has't included in the mandate.

The respondents' response on access to information shown: the effect of access to information on performance audit's role in fighting corruption, based on the respondents 25% of them believe

the auditees documentation is suitable and 75% believe the auditees documentation is not suitable to performance auditors. In addition 60% of the respondents respond as auditors have unlimited access to information and 40% of them believe performance auditors has no access to information (Appendix E). The above table 7 displays the mean of access to information and its effect on performance audit's role in fighting corruption is 3.3836. this means most of the respondents believe the documentation system is not suitable for auditors and auditors have no a right to access auditee documents. Although the main problems of performance auditors access to information are poor documentation of auditees and intentional denial to deliver the required document as the respondents.

The respondent's views on funding indicate that 25% agree on the presence of budget in department level and 75% of the respondents believe the absence of budget in department level, 85% of the respondents express the source of the fund is government and appropriated by the regional council and 15% of the respondents the government is not the only source of the fund &OAG has a right to set its ceiling (Appendix F). Table 7 displays the extent of effect of funding on performance audit's role of fighting corruption, which the respondents feeling, is as the average mean of the respondent is 3.3361. Meaning, respondents agree on the insufficiency of funding on performance audit's role of fighting corruption. Majority of respondents agreed on the absence of sufficient fund to carryout performance audit assignments. According to the respondents the absence of sufficient funding has an effect on the extent of the audit and the time required to conduct the audit.

The data collected about the extent of competent leadership and its effect on performance audit's role of fighting corruption, which the respondent's reaction in the average mean of the respondent is 2.9836. From the respondents, 60% of the respondents agree and 40% disagree about the performance audit managers and director willingness to support the teams, 20% of the respondents agree and 80% disagree about the audit managers and director competence to support the teams, 35% agree and 65% disagree about the presence of review the audited entity's response within 2 years and 40% of the respondents agree and 60% of them disagree about the presence of measuring the impacts of the audit and they raise fail to plan is the only cause for the absence of follow-up (Appendix G). The respondents also express about the incompetency of the leaders as all audit managers have no experience in performance audit assignments and the director of the department has engaged only in one performance audit assignments as an



assistance auditor. The mean of leadership competence is 2.98369 (Table 7), which means leaders of performance audit are not competent to support, supervise and improve the quality of performance audit reports.

According to the data the competency of the staff has got a grade of 5% very good, 20% good, 70% satisfactory and 5% poor, 50% of the respondents agree and the remaining 50% disagree about performance auditors' knowledge to understand operations of their job functions/areas of responsibility, 20% of the respondents agree & 80% of them disagree about the presence of career for performance auditors and 10% of the respondents agree 90% of them disagree about the presence of reward for good performer auditors (Appendix H). Table 7 displays the extent of staff competency and its effect on performance audits role of fighting corruption, based on the respondents performance audit's role of fighting corruption is affected by the competency of performance auditors. As the respondents, major causes for the incompetency of the performance audit staff are high degree of turnover, absence of reward, absence of career of promotion and development, lack of mix in field of study. The mean of staff competence is 3.4672 (Table 7), which indicates that the competency of the staff in the performance audit department is minimal and by using such staff, it is difficult to improve the quality of performance audit assignments and reports.

15% of the respondents agree & 85% disagree about the presence of legislative support for performance audit, 10% the respondents agree and 90% of them disagree about the presence of audit advisory committee, 20% of the respondents agree & 80% of them disagree about the presence of using experts to advise performance audit teams 15% of the respondents agree & 85% of them disagree on the presence of support from EACC (Table I) for performance auditors and its effect on performance audit's role of fighting corruption is stated in Table 7 as the mean is 3.4049, this shows there is no sufficient support for performance audit reports According to the respondents the issues raised about the absence of support for performance auditors are absence of advice from any group, absence of audit advisory committee and absence of hiring expertise for advisory purpose.

The result gathered on the effect of compliance on performance audit's role of fighting corruption in Table 7 indicates the effect of compliance on performance audits role of fighting corruption has a mean of 3.6762, which expresses performance auditors conduct their assignment

is a certain gap from the audit standards and manuals. 70% of the respondents agree & 30% disagree about the presence of conducting performance audit in line with standards, respondents express as the manual is not clear, easy to understand, jargon free and doesn't contain diagrams and illustrations this causes the partial implementation of the manual (the detail is attached in Appendix J).

As the respondents, presence of communication of performance audit results and its effect on performance audit's role of fighting corruption is 35% of the respondents agree and 65% disagree about the presence of relationship between OAG & legislative, 15% of the respondents agree & 85% of them disagree about the presence of relationship between OAG and EACC, 25% of the respondents agree and 75% of them disagree about the habit of the OAG on developing issues in its strategic planning to create strong partnership with EACC, 30% of the respondents agree and 70% of them disagree about the habit of communication between performance audit department and EACC (Appendix K). in addition to the data obtained from the respondents of the questionnaire there is no formal means of communication between OAG & EACC. Table 7 shows the effect of communication on performance audits role of fighting corruption as a mean of 2.8762. this indicates there is a gap in line of communication between ANRSOAG and ANRSEACC & other watch dog agencies about the results of performance audit assignments.

The respondents view about the trend of using performance audit results summarized as 15% of the respondents agree and 85% of them disagree about the trend of carryout investigations jointly, 15% of the respondents agree and 85% of them disagree about EACC's trend of formally investigate corruption when performance audit findings highlight areas of diseconomy, inefficiency and failure to achieve results and impacts, 20% of the respondents agree and 80% of them disagree about the EACC's habit to use the finding(s) of performance audit in struggle against corruption & take appropriate legal action based on information obtained from auditor general. The cause of the EACC failure to use performance audit results is listed as lack of understanding, lack of experience and trend, unable to access reports, absence of cooperation, absence of strategy for joint cooperation and lack of resources (Appendix L). Table 7 shows the effect of using performance audit results as a tool on performance audit's role of fighting corruption has a mean of 3.6476, which means performance audit is not used as a tool for combating and detecting corruption. According to the respondents of the interview around 46

performance audit reports are issued within 12 years (all the reports are full of findings), but none of them are used as a tool for preventing and detecting corruption

Based on the data gathered, 90% agree and 10% disagree on the procedures of audit office to undertake for closure of the investigation, 95% of the respondents agree and 5% of them disagree about performance audits role of presenting findings and recommendations that can create a more efficient and effective public sector, 85% of the respondents agree and 15% of them disagree about performance audits role to use as a tool against corruption, 75% of the respondents agree and 25% disagree about the performance audits ability to indicate clues to existence of corruption in audited organizations. Lack of professionals/man power/, absence of cooperative with auditees, lack of attention by legislative, lack of independence, time limitation, inadequate auditee documentation system, lack of access to information, shortage of other resources are accepted by 90%, 90%, 35%, 85%, 50%, 80%, 60%, 50% and 90% of respondents respectively as a challenges of performance audit. In addition 15% of respondents believe Complex and difficult environmental factors and 85% believe might be due to existence of corruption as the cause of diseconomy, inefficiency and failure to achieve results of auditees Appendix M). Table 7 shows the respondents believe has a mean of 3.8243 that the role of performance audit has a significant role in fighting corruption.

#### **4.4. Correlation Analysis**

Correlation analysis was applied to determine the interrelationships among independent variables and to examine the possibility of colinearity or multicollinearity.

Multicollinearity is a serious problem the correlation coefficients between two repressors are high, say .80(Gujirati, 2005 page 359). The current study is as shown in the table 9 below, the highest correlation result is .561 that is the correlation between staff and leadership. This indicates that problem of multicollinearity is not a threat.

**Table 8: Pearson's Correlation Matrixes**

		1	2	3	4	5	6	7	8	9	10	11
Independence (1)	Pearson Correlation	1										
Mandate (2)	Pearson Correlation	.472**	1									
Access to information (3)	Pearson Correlation	.359**	.274*	1								
Funding (4)	Pearson Correlation	.081	.313*	.185	1							
Leadership (5)	Pearson Correlation	.452**	.416**	.520**	.275*	1						
Staff (6)	Pearson Correlation	.371**	.324*	.521**	.215	.561**	1					
Support (7)	Pearson Correlation	.466**	.280*	.486**	.274*	.117	.313**	1				
Compliance (8)	Pearson Correlation	.540**	.280*	.385**	.327*	.167	.228	.257*	1			
Communication (9)	Pearson Correlation	.471**	.290**	.532**	.412	.296	.180	.519*	.336	1		
Use as a tool (10)	Pearson Correlation	.325*	.522**	.225	.274*	.382**	.111	.412**	.211	.384**	1	
Role of PA (11)	Pearson Correlation	.432**	.489**	.324*	.331**	.394**	.340*	.469**	.471**	.451**	.521**	1

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

Source: Survey Data

#### 4.4.1. Relationship between Independence and performance audit's role of fighting corruption

The results in the table 8 shown above is that there is a positive relationship between independence of OAG and performance auditor's role of fighting corruption ( $r = 0.432$ ). Therefore, when independence of the office increases, role of performance audit in fighting corruption also increases and when the independence of the office decreases the role of performance audit in fighting corruption also decreases. This means the role of performance audit in fighting corruption is maximized, if The OAG is independent from the legislative and the executive as well as any political party of the region.

#### 4.4.2. Relationship between mandate and performance audit's role of fighting corruption

The result in table 8 shows that there is a positive relationship between mandate of the OAG and performance audit's role of fighting corruption ( $r = 0.489$ ). Therefore, when the office has a full mandate to carryout performance audit assignments, the role of performance audit in fighting corruption also increases and if the mandate of the office decreases the role of performance audit in fighting corruption also decreases.

#### 4.4.3. Relationship between access to information and performance audits role in fighting corruption

The result in the table 8 shown above is that there is a positive relationship between access to information and performance audit's role of fighting corruption ( $r = 0.324$ ). When performance auditors have unlimited access to information, performance audit's role of fighting corruption will increase and when performance auditors are unable to access information, performance audit's role of fighting corruption will decrease.

#### 4.4.4. Relationship between funding and performance audits role in fighting corruption

The result in the table 8 shown above is that there is a positive relationship between funding and performance audit's role of fighting corruption ( $r = 0.331$ ). Therefore when there is sufficient fund, performance audit's role

of fighting corruption increases and when there is no sufficient fund performance audit's role of fighting corruption will decrease.

#### **4.4.5. Relationship between leadership and performance audits role in fighting corruption**

The result in the table 8 shown above is that there is a positive relationship between leadership and performance audit's role of fighting corruption ( $r = 0.394$ ). Therefore when there is competent leadership in performance audit department, performance audit's role of fighting corruption increases and when incompetency exists in performance audit department, performance audit's role of fighting corruption increases.

#### **4.4.6. Relationship between staff and performance audits role in fighting corruption**

The result in the table 8 shown above is that there is a positive relationship between staff competency and performance audit's role of fighting corruption ( $r = 0.340$ ). Therefore when there is competent staff, performance audit's role of fighting corruption increases and when the competency of the staff in the department declines, performance audit's role to combat corruption will decrease.

#### **4.4.7. Relationship between support and performance audits role in fighting corruption**

The result in the table 8 shown above is that there is a positive relationship between support for performance audit and performance audit's role of fighting corruption ( $r = 0.469$ ). Therefore when there is a support to performance audit department, performance audit's role of fighting corruption increases and when the support to performance auditors has been deceased, performance audit's role to combat corruption also decreased.

#### **4.4.8. Relationship between compliance and performance audits role in fighting corruption**

Table 8 indicates that there is a positive relationship between compliance of performance audit and role of performance audit in fighting corruption ( $r=0.471$ ). Therefore when there is a high degree of compliance while conducting performance audit, performance audit's role in fighting corruption will be high and when the degree of compliance decreases the degree of performance audit's role in fighting corruption also decreases.

#### **4.4.9. Relationship between communication and performance audits role in fighting corruption**

As shown in table 8 there is a positive relationship between communication and performance audit's role of fighting corruption ( $r=0.451$ ). Therefore when the degree of communication increases, performance audit's role of fighting corruption will increase and when the degree of communication decrease performance audit's role of fighting corruption will also decrease.

#### **4.4.10. Relationship between using performance audit results as a tool and performance audits role in fighting corruption**

The result in table 8 shows there is a positive relationship between using performance audit results as a tool and performance audit's role of fighting corruption ( $r=0.451$ ). Therefore when EACC and other watch dog agencies habit of using performance audit results as a tool for fighting corruption increase, performance audits role of fighting corruption will increase and when trend of using performance audit results as a tool to detect and prevent corruption has been decreased, performance audit's role of fighting corruption will also decrease.

#### 4.5. Regression Assumption Checks

Before testing the hypothesis, the regression assumption of multicollinearity is checked. One method to detect high multicollinearity is variance-inflating factor (VIF).

Table 9:- Multicollinearity between Independent Variables

		Collinearity Statistics	
		Tolerance	VIF
1	Independence	.375	1.667
	Mandate	.592	1.690
	Access to information	.119	1.423
	Funding	.407	1.457
	Leadership	.373	2.683
	Staff	.589	1.697
	Support	.231	1.325
	Compliance	.238	1.196
	Communication	.166	1.035
	Use as a tool	.181	2.528

Source: Survey data

It measures how the variance of an estimator is inflated by the presence of multicollinearity. With zero correlation between the independent variables, VIF equals 1. Gujarati D.N. (2004) suggests that a value of VIF greater than 10 indicates a problem.

According to this study the VIF is found to be less than 10. Therefore there is no multicollinearity between independent variables.

#### 4.6. Regression Analysis

A regression was run to determine the predictive power of the independent variables (independence, mandate, access to information, funding, leadership, staff, support, compliance, communication and use as a tool) in explaining performance audit's role of fighting corruption in Amhara National regional state. The results have been presented in table 10 below.

**Table 10: Regression Model of Independent and Dependent Variable Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.184	11.298		.813	.000*
	Independence	.680	.201	.256	1.131	.010*
	Mandate	.074	0.16	.031	.173	.001**
	Access to information	1.502	.701	.629	1.562	.006**
	Funding	.195	.095	.082	.377	.018
	Leadership	.546	.238	.522	2.299	.000*
	Staff	.048	.023	.131	.724	.013*
	Support	.887	.436	.560	1.943	.000*
	Compliance	.751	.239	.893	3.145	.011*
	Communication	.885	.357	.458	1.346	.012*
	Use as a tool	.288	.165	.248	.762	.001*

R= .930, R Square= .865, Adjusted R Square= .782, Std. Error of the Estimate= .05036

R square Change= .865, F Change= 4.503 (P-value = 0.000), Sig.0.003

a. Dependent Variable: Role of Performance Audit

\*\*. Correlation is significant at the 0.01 level (2-tailed).

\*. Correlation is significant at the 0.05 level (2-tailed).

95% Confidence Interval for B

Source: Survey data

From the above table, the initial model of this paper can be formulated as:

$$\text{Role} = 0 + 1 (\text{Independence}) + 2 (\text{Mandate}) + 3 (\text{Access}) + 4 (\text{Funding}) + 5 (\text{leader}) + 6 (\text{staff}) + 7 (\text{support}) + 8 (\text{compliance}) + 9 (\text{Communication}) + 10 (\text{using as a tool}) +$$

$$\text{Role} = 9.184 + 0.68(\text{Independence}) + 0.074(\text{Mandate}) + 1.502(\text{Access}) + 0.195(\text{Funding}) + 0.546(\text{leader}) + 0.048(\text{staff}) + 0.887(\text{support}) + 0.751(\text{compliance}) + 0.885(\text{Communication}) + 0.288(\text{using as a tool}) +$$

Where

- Role = role of performance audit function in Fighting Corruption
- 0= intercept of the regression line
- Independence = existence of organizational independence measured by total items scored
- Mandate = existence of formal mandate /audit charter measured by total items scored
- Access = existence of unrestricted access to records measured by total items scored

- Sufficient funding = existence of sufficient funding measured by total items scored
- Leader = existence of competent leadership measured by total items scored
- Staff = existence of competent performance audit staff measured by total items score
- Support = existence of top management and stakeholders support measured by total items scored
- Compliance = existence of compliance with professional audit standards measured by total items score
- Communication = line of communication b/n stakeholders and
- Using as a tool = using the reports to protect and detect fraud.
- $\epsilon_i$  = is the error term associated with the 1<sup>st</sup> observation

The predictive power of the model is shown by R Square. R-Square is a measure of how well the model is able to predict the changes in the actual data. R-Square ranges between 0 and 1, with values over 0.5 indicating a good fit between the predictions and actual data (Gujarati D.N., 2004).

The regression results on the above table 10 verified that independent variables (independence, mandate, access to information, funding, leadership, staff, support, compliance, communication and use as a tool) explain 95% of the variation in performance audit's role of fighting corruption, indicating a good fit since it is above 50%. This implies that other factors not in the current study accounted for the remaining 5% of variance in performance audits role of fighting corruption. All the predictors were observed are more significant predictors of performance audit's role of fighting corruption at  $\text{sig} < 0.05$  and  $\text{sig} < 0.01$ . The regression model by itself is statistically significant at the 1% & 5% level (F-value = 4.503,  $p < 0.003$ ).

To test the hypotheses of the multiple regression analysis we use the general guideline as (Gujarati D.N., 2004):-

- If  $SE(\hat{S}_1) > \frac{1}{2} \hat{S}_1$ , we accept the null hypothesis that is, we can conclude that the estimate  $S_i$  is not statistically significant.
- If  $SE(\hat{S}_1) < \frac{1}{2} \hat{S}_1$ , we reject the null hypothesis that is, we can conclude that the estimate  $S_i$  is statistically significant.

**H<sub>1</sub>: The absence of independence has no significant effect on performance audit's role of fighting corruption..**



Having this at p value ( $p = 0.010$ ) and Beta coefficient of (0.680), the multiple regression analysis revealed that:

$$0.201 < 0.68/2, 0.201 < 0.34$$

Therefore, we reject the null hypothesis  $H_1$  that is; independence of the OAG has a significant effect on performance audit's role of fighting corruption. The hypothesis ( $H_1$ ) states holding other independent variables constant, independence of OAG has no significance influence on performance audit's role of fighting corruption. This finding shows that  $H_1$  is not supported.

This conclusion supports EGAS stated about independence, which express as, Independence requires that the Office and members of the audit team, whether staff or contract personnel, be free of any hindrances to their independence that could impair (or be seen to impair) their impartiality in carrying out their work, making judgments, forming opinions and conclusions or making recommendations

The performance auditor and SAI must be, and be seen to be, independent and objective in the conduct of audits. That is, the SAIs must have freedom to act in accordance with its audit mandate without external direction or interference of any kind. Thus independence of the OAG increases trust to the users of the report. This result contradicts with INTOSAI auditing standard stated under independence of SAI and the proclamation No 186/2011 of Amhara National Regional State.

## **$H_2$ : Mandate of the OAG has no significant effect on performance audit's role of fighting corruption**

Table 10, indicates that the mandate of the OAG has a significant effect on performance audit's role of fighting corruption. This can be checked at p value ( $p < 0.05$ ) and Beta coefficient of (0.74), the multiple regression analysis confirmed that:

$$0.16 < (0.74/2), 0.16 < 0.37$$

Therefore, we reject the null hypothesis  $H_2$  that is; mandate of the OAG has significant effect on performance audit's role of fighting corruption. The hypothesis ( $H_2$ ) states that holding other independent variables constant, mandate of the OAG has no significance influence on performance audit's role of fighting corruption. This finding supports the INTOSAI's auditing standards AS 2.2.12, 2.2.19, 1.0.32-38, 1.0.42 and 1.0.47) which states the audit mandate and the general goals should be properly defined Statutes generally lay down the audit mandate. Among other things it regulates the extent to which a SAI can audit public sector programs and organizations. Special regulations are often needed that specify the conditions for performance auditing, for example, access to information from sources other than the

auditees, the ability to give recommendations, the mandate to scrutinize government undertakings and programs, and the effectiveness of legislation. The mandate ordinarily specifies the minimum audit and reporting requirements, specifies what is required of the auditor, and provides the auditor with authority to carry out the work and report the results. From this we can understand that without a mandate to carry out a certain assignment the OAG can't undertake any action.

**H<sub>3</sub>: Lack of access to information has no significant effect on performance audit's role of fighting corruption**

At p value ( $p < 0.05$ ) and Beta coefficient of (1.502) on lack of access to information, the multiple regressions analysis discovered that:

$$0.701 < (1.502/2), 0.701 < 0.751$$

Therefore, we reject the null hypothesis H<sub>3</sub> that is; performance auditor's lack of access to information has significant effect on performance audit's role of fighting corruption. The result confirmed that holding other independent variables constant, lack of access to information has more influence on performance audit's role of fighting corruption. The results of this study also show that lack of access to information influence performance auditors to investigate corrupted acts in a required extent. As stated under H<sub>2</sub>, the auditors should have a right to access required information from sources other than the auditees. The result of this study supports the idea expressed in Tadele Dereje 2012 the documentation systems of auditee affect performance audit work. For instance, lack of data and absence of systematic data base or old manual documentation system adversely affect the audit work but contradicts INTOSAI's auditing standard of unrestricted access of information for auditors.

**H<sub>4</sub>: Shortage of fund has no significant effect on performance audit's role of fighting corruption.**

In Table 10, the data shows that shortage of fund has a significant effect on audit recommendation implementation. At p value ( $p < 0.05$ ) and Beta coefficient of (0.195) on Funding to performance audit, the multiple regression analysis displayed that:

$$0.095 < (0.195/2), 0.095 < 0.0975$$

Therefore, we reject the null hypothesis H<sub>4</sub> that is; shortage of funding has significant effect on performance audit's role of fighting corruption. The result shows that holding other independent variables constant, shortage of funding has more influence on performance audit's role of fighting corruption. This finding suggests that if there is no sufficient fund to conduct

performance audit it's difficult to conduct investigations in a required depth. The result of this study supports the idea expressed in Tadele Dereje 2012 in OAG had no trend of department based budgeting system and rather it is requested as an office and finally approved by their respective legislature body. Each performance audit division office is in the condition of discouraging of inadequate space and of uncomfortable with disorganized manner. Especially, when auditors' returned from field work to their respective home office these challenges faces them. As a consequence of this, the next tasks may delay

**H<sub>5</sub>: Leadership has no significant effect on performance audit's role of fighting corruption**

In the above table, the data indicates that leadership has a significant effect on performance audit's role of fighting corruption. At p value ( $p < 0.05$ ) and Beta coefficient of (0.546) the multiple regression analysis disclosed that:

$$0.238 < (0.546/2), 0.238 < 0.273$$

Therefore, we reject the null hypothesis H<sub>5</sub> that is; leadership of OAG's performance audit department has a significant effect on performance audit's role of fighting corruption. The result introduced that holding other independent variables constant, the quality of leadership affect the performance audit's role of fighting corruption. The result of this study contradicts the INTOSAI auditing standards which state: 'The work of the audit staff at each level and audit phase should be properly supervised during the audit, and documented work should be reviewed by a senior member of the audit staff ' (AS 3.2.1). When work is delegated to a member of the audit team, the project manager should carefully direct, supervise, and review the work delegated.

**H<sub>6</sub>: The competency of the staff has no significant effect on performance audit's role of fighting corruption.**

From Table 10, it is clear that the competency of the performance audit department staff has significant effect on performance audit's role of fighting corruption. This can be checked at p-value ( $p < 0.05$ ) and Beta coefficient of (0.048), the multiple regression analysis confirmed that:-

$$0.023 < (0.048/2), 0.023 < 0.024$$

Therefore, we reject the null hypothesis H<sub>6</sub> that is; the competency of performance audit staff has significant effect on performance audit's role of fighting corruption. The hypothesis (H<sub>6</sub>) states that

holding other independent variables constant, the competency of the staff has no significance influence on performance audits role of fighting corruption. The result of this study supports the idea expressed in Tadele Dereje 2012 as lack of sufficient professional auditors is one of the major challenges of performance audit and contradicts INTOSAI's auditing standard, which states all government auditors should act with integrity, impartiality, objectivity, competence and professionalism. To meet these standards the performance auditor must be adequately educated and have experience of investigative/evaluation work. Personal qualities are also of considerable importance. Effectiveness, professionalism and care must guide the audit work.

**H<sub>7</sub>: Absence of support has no significant effect on performance audit's role of fighting corruption.**

As shown in Table 10, the degree of support for performance audit department has significant effect on performance audit's role of fighting corruption. This can be checked at p-value ( $p < 0.05$ ) and Beta coefficient of (0.887), the multiple regression analysis confirmed that:-

$$0.436 < (0.887/2), 0.436 < 0.4435$$

Therefore, we reject the null hypothesis H<sub>7</sub> that is; the degree of support given to performance audit department has significant effect on performance audit's role of fighting corruption. The hypothesis (H<sub>7</sub>) states that holding other independent variables constant, the absence of the support has no significance influence on performance audit's role of fighting corruption. The result of this study supports the idea expressed in Tadele Dereje 2012 as there are various challenges while performance audit conducted For instance, the cooperation of legislature attention is too low less legislature attention and contradicts performance audit manual(2003), which states to monitor the quality of the audit and to forward a valid recommendation based on the real problems, performance audit teams should be supported by the management, audit advisory committee and experts.

**H<sub>8</sub>: Compliance while conducting performance audit has no significant effect on its role of fighting corruption.**

From Table 10, the conducting performance audit assignments in compliance with standards and manuals have significant effect on performance audit's role of fighting corruption. This can be checked at p-value ( $p < 0.05$ ) and Beta coefficient of (0.751), the multiple regression analysis confirmed that:-

$$0.239 < (0.751/2), 0.239 < 0.3755$$

Therefore, we reject the null hypothesis H<sub>8</sub> that is; the degree of compliance in performance audit assignments has significant effect on performance audit's role of fighting corruption. The hypothesis (H<sub>8</sub>)

states that holding other independent variables constant, compliance while conducting performance audit has no significance influence on its role of fighting corruption. The result of this study contradicts the idea expressed INTOSAI's auditing standard, which states a SAI should – to the full extent appropriate – take the INTOSAI Auditing Standards into account when planning, conducting, and reporting on an audit.

**H<sub>9</sub>: Communication has no significant effect on performance audit's role of fighting corruption.**

From Table 10, it is to clear understand that the degree of communication on performance audit results has significant effect on performance audit's role of fighting corruption. This can be checked at p-value ( $p < 0.05$ ) and Beta coefficient of (0.885), the multiple regression analysis confirmed that:-

$$0.357 < (0.885/2), 0.357 < 0.4425$$

Therefore, we reject the null hypothesis H<sub>9</sub> that is; the degree of communication on performance audit results has significant effect on performance audit's role of fighting corruption. The hypothesis (H<sub>9</sub>) states that holding other independent variables constant, communication has no significance influence on performance audits role of fighting corruption. The result of this study supports the idea expressed in Tadele Dereje 2012 result, due to absence of strong relationship between OAG and EACC in both states the finding of performance audit those indicate lacks of economy, of inefficiency and of ineffectiveness and provide corruption suspicion are not used and contradict with INTOSAI's auditing standard, which states good communication with the auditee(s) and experts from different backgrounds is important during the entire audit process. Similarly, performance audit managers must also be vigilant. It is important that the factual basis of final descriptions, analyses and recommendations is accurate. The report should be objective and balanced and have a sober tone, with the purpose of adding value for the government (AS 2.2.39, 3.5.1-2 and 4.0.22-25.).

**H<sub>10</sub>: Using performance audit results as a tool has no significant effect on its role of fighting corruption**

Table 10, indicates that using performance audit results as a tool has significant effect on its role of fighting corruption. This can be checked at p-value ( $p < 0.05$ ) and Beta coefficient of (0.288), the multiple regression analysis confirmed that:-

$$0.165 < (0.288/2), 0.0825 < 0.144$$

Therefore, we reject the null hypothesis H<sub>10</sub> that is; using performance audit results as a too has significant effect on performance audit's role of fighting corruption. The hypothesis (H<sub>10</sub>) states that holding other independent variables constant, using performance audit results as a tool has no significance

influence on performance audits role of fighting corruption. The result of this study supports the idea expressed in Tadele Dereje, 2012 research result as performance audit can be used as tool against corruption and it indicates clues if corruption exist on the performance of government departments, agencies, projects, programs, commissionaires, ministries, bureau, authorities and offices.

## Chapter 5

### Conclusions and recommendation

The intention of this last chapter is to review the whole thesis. Accordingly, section one presents an overview of the thesis and its major findings. The recommendation and implication of the thesis to stake holders is presented in section two. Finally, the future research directions are presented in section three.

#### 5.1. Conclusions

The study begins with brief overview of audit and corruption in Ethiopia as a background for the research. Modern audit commenced in 1930s and performance audit implemented in Ethiopia and Amhara National Regional State starting 1992 and 2002 respectively. In order to tackle corruption and impropriety, Ethics and Anti- corruption commission established in 2001 and 2004 at Ethiopian Federal government level and Amhara National Regional state respectively.

The theoretical and empirical works on the area of performance audit trends and its role in fighting corruption are reviewed.

The evidence required for study gathered from ANRSOAG auditors, turnout performance auditors and director of performance audit through mixed survey and interview.

Accordingly the current study reaches on the following underlying findings.

- ❖ Performance audit commenced in 2002 at regional level .However, it is not matured due to various factors and problems such as lack of independence from the legislative and the executive while planning, executing and reporting performance audit assignments this causes absence of performance audit strategic plan, in the office.
- ❖ Even though the mandate of OAG explains the right to carry out its performance audit assignments independently in the proclamation 186/2011, this rule has been limited only on the paper. Moreover the office of auditor general and its staff hasn't legal immunity.
- ❖ The documentation system of audtee is not suitable for performance auditors and intentionally and/or unintentionally performance auditors can't access all required information. The documentation systems of audtee affect performance audit works. For instance, lack of data and absence of systematic data base or old manual documentation system adversely affect the audit work.
- ❖ OAG had no trend of department based budgeting system and rather it is requested as an office and finally approved by their respective legislature body. The performance audit division office is in the condition of discouraging of inadequate space and of uncomfortable with disorganized manner. Especially, when auditors' returned from field work to their respective home office these challenges faces them. As a consequence of this, the next tasks may delay.
- ❖ Even if performance audit managers and director are willing to support performance audit teams, they haven't adequate experience and knowledge in this field. There is no one , who has engaged in performance audit assignments except the director(participate in one audit assignment as an assistant auditor).

- ❖ The competency and knowledge of performance audit staff is questionable. The career planning and development arrangement to performance auditors were weak in OAG. Performance auditors not appreciated retention policies of their OAG. For example, most of respondent negatively forward existing reward mechanism. The reward system also depends on time manner and not consist various mechanisms such as attractive salary increment, promotions and other extrinsic rewards
- ❖ There is no support from the legislative EACC and top management of the auditee to performance auditors. Even though the manual requires the formulation and active participation of audit advisory committee, the OAG didn't try to form still now. Even though all performance auditors are Business and Economics graduates and the manual suggests using experts as an advisor for performance auditors to upgrade the quality of performance audit result, the OAG didn't think about it since.
- ❖ Standards and manuals are present in OAG, but most of the auditors can't understand and conduct performance audit assignments as per the manual.
- ❖ OAG has no close relationship between the EACC and legislative, OAG didn't develop issues in its strategic planning to create strong partnership with EACC and there is no means of communication between performance audit department and EACC.
- ❖ EACC didn't jointly investigate corruption when audit findings of auditor general provide some clue to corruption, formally investigate corruption when performance audit findings highlight areas of diseconomy, inefficiency and failure to achieve results and impacts, take appropriate legal action based on information obtained from auditor general and use the finding(s) of performance audit in struggle against corruption. Lack of understanding, lack of experience & trend, absence of formal cooperation, absence of strategy for joint cooperation and lack of resources/man power, finance .../ are some of the causes of EACC failure to use performance audit results. Starting from 2002 around 46 performance audit reports are issued, but no one is used as a tool to detect and protect corruption.
- ❖ Most of the respondents in the survey believe performance audit can be used as tool against corruption, indicate clues if corruption exist on the performance of government departments, agencies, projects, programs, commissionaires, ministries, bureau, authorities and offices, present findings and recommendations that can create a more efficient and effective public sector and its ability to undertake procedures for closure of the investigation. Lack of professionals, absence of cooperation from auditees, lack of attention by legislative, lack of independence, time limitation, inadequate auditee documentation system, lack of access to information and lack of resource are some of the challenges face in the growth of performance audit, there is no any movement to overcome these challenges.

## 5.2. Recommendation

Based on the findings obtained the following recommendations are forwarded.

- ❖ OAG must be free to determine the areas covered by its performance audits. The OAG may give members of legislature factual briefings on audit reports, but it is important that the SAI maintain its independence from political influence, in order to preserve an impartial approach to its audit responsibilities. This implies that the SAI should not be



responsive, nor give the appearance of being responsive, to the wishes of particular political interest.

- ❖ The rights stated in the mandate of the OAG should be come true: and it is better to include an article in the mandate about the legal immunity of the office and its staffs. In addition the OAG should have its own human resource management policy to hire, promote, develop, --- its employees.
- ❖ Auditees documentation system should be improved and awareness should be created about the purpose and importance of an audit as a whole and about performance audit in particular. More over methods should design to make accessible all required information to auditors.
- ❖ OAG should get a right to set its budget ceiling and appropriate its budget at department level. More over the budget should be revised as appropriate.
- ❖ The work of the audit staff at each level and audit phase should be properly supervised during the audit, and documented work should be reviewed by a senior member of the audit staff. Supervision of the performance audit team by senior members of the audit staff involves directing, supporting and monitoring their work to ensure that the audit objectives are met. To satisfy this standard OAG should maximize the competency of performance audit leaders.
- ❖ All government auditors should act with integrity, impartiality, objectivity, competence and professionalism. To meet these standards the performance auditor must be adequately educated and have experience of investigative/evaluation work. Personal qualities are also of considerable importance. Effectiveness, professionalism and care must guide the audit work. So OAG should organize short term and long term training for auditors.
- ❖ OAG should rearrange a means of support for performance auditors from the top management of the auditees, the legislative and other stakeholders, In addition establishing an audit advisory committee has a valuable support to the teams and material effect on the quality of the performance audit output. Mere over the habit of using experts should be develop, if necessary, to forward a valuable recommendation for improvement to auditees.
- ❖ OAG should organize a seminar, workshop, or training to make clear the entire manual and the standards. Otherwise the existing performance auditors can't conduct their assignment as per the standards.
- ❖ Good communication with the auditee(s), the legislative, EACC & other watchdog agencies and experts from different backgrounds is important during the entire audit process and after the completion of the performance audit assignments. Without communication of results for stakeholders conducting a quality audit assignment has no value for everyone. So, OAG should develop the stakeholders level of awareness and communicate all the results of its audit assignments.
- ❖ EACC should arrange awareness programs for auditors on the nature of corruption, detection and prevention of corruption by enhancing joint tasks

- ❖ EACC should develop its habit of using performance audit results. If there is lack of understanding, the commission should request a briefing from office of auditor general

### **5.3. Areas for Further Research**

This study raises some interesting research problems and future directions for further studies The future researchers have to focus on:-

- ❖ Over all audit roles in enhancing accountability and fight of corruption in public and private sectors
- ❖ Significance of regulatory audit in fighting corruption
- ❖ Cost and benefits of performance audit

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## **Appendix A-Existing performance auditors' survey**

**University of Gondar**

**College of Business and Economics**

**Department of Accounting and Finance**

Questionnaires for Performance Auditors

This study is entitled **“Determinants of Performance Audit in fighting roots of corruption: Evidences from Amhara National Regional State”**.

The canvasser is Dilnessa Demissie who is currently a M.sc.candidate in Accounting & Finance at the Faculty of Business and Economics of University of Gondar, Ethiopia.

This survey questionnaire is prepared in order to get the necessary information to undertake study on the above stated title. The purpose of the study is to analyze the prevailing performance Audit role in struggle against public sectors corruption. Since most of the questionnaires stated below are closed ended type, responding them may not take much time.

Any information provided will be kept confidential. Therefore, I cordially request your esteemed organization for volunteer to respond the questionnaire and provide accurate and complete data. Partaker is capable of get access to summary research findings at the time of completion of the study upon demand.

For more information, you can with Dilnessa Demissie by the following address:

Tell +251-912 68 90 07

+251-913 28 48 68

Email: dilnessademissie@yahoo.com

Thank you in advance for your time & cooperation!

Dilnessa Demissie Fenta

### **Note:**

- Writing your name is unnecessary.
- Circle or put “✓”mark as per the questions required in the box or answer in the space provided.

## Part I: Profile of the respondent

### 1. Sex:

- 1) ☐ Male
- 2) ☐ Female

### 2. Age (in Years)

- 1) ☐ below 25
- 2) ☐ 25-35
- 3) ☐ 35-50
- 4) ☐ above 50

### 3. Educational Level:

- 1) ☐ 10/12 grade complete
- 2) ☐ Certificate
- 3) ☐ Diploma
- 4) ☐ Bachelor Degree
- 5) ☐ Above Degree

### 4. Field of study

- 1) ☐ Business and Economics
- 2) ☐ Engineering
- 3) ☐ Teaching
- 4) ☐ Health
- 5) ☐ Other .....

### 5. Experience on performance audit work:

- 1) ☐ Less than 1 year
- 2) ☐ 1-2 year
- 3) ☐ 2-3 year
- 4) ☐ 3-4 year
- 5) ☐ 4-5 year
- 6) ☐ Above 5 year

## **Part II: Overview of performance audit practice**

### **Section 1: Factors affecting performance Audit**

#### **Subsection 1: Legal Mandate of conducting performance audit [Mandate]**

1. Does your Auditor General have the legislative mandate to carry out the following types of performance audit? *(Tick as many boxes as appropriate.)*
  - 1) ☐ Efficiency audit
  - 2) ☐ Program effectiveness audit
  - 3) ☐ Performance management capacity audit.
  - 4) ☐ Environment Audits
  - 5) ☐ Others (Please Specify)

#### **Subsection 2: Independence-Institutional independence**

2. Is there special relationship between Auditor General and legislative?
  - 1) ☐ Yes
  - 2) ☐ No

If Yes, list briefly the area of special relation ship.....
3. Does your office of Auditor General independent from legislature as well as executive?
  - 1) ☐ Yes
  - 2) ☐ No
4. Is the legislature assist or advise the performance audit division of auditor general in selection of priorities area?
  - 1) ☐ Yes
  - 2) ☐ No

If yes, please list them.....
5. Does the office of Auditor General Independent from any political affiliation?
  - 3) ☐ Yes
  - 4) ☐ No
6. Does Audit advisory committee support the performance audit teams at criteria development and recommendation formulation?
  - 1) ☐ Yes
  - 2) ☐ No

7. Mention the educational background, field of study and experience of the audit advisory committee members.
8. Does the head of Auditor General and Staff members have legal immunity?
  - 1) ☐ Yes
  - 2) ☐ No
9. For how many audit assignments does the office of auditor general use experts to measure the performance of auditees? .....

### **Subsection 3: Resources**

#### **3.1. Human staff Resource**

##### ***A. Competency and knowledge of Performance auditor***

10. Your suggestion regarding the competency and proficiency of the existing performance auditors in the office:
  - 1) ☐ Excellent
  - 2) ☐ Very Good
  - 3) ☐ Good
  - 4) ☐ Satisfactory
  - 5) ☐ Poor
  - 6) ☐ Very poor
11. Do performance auditors have adequate knowledge of the operations for their job functions or areas of responsibility?
  - 1) ☐ Yes
  - 2) ☐ No

##### ***B. Career development arrangement to performance auditor***

12. What does your office provide for performance auditors career planning and development opportunities?  
.....
13. What are the criteria set for promotion and upgrading performance auditor(s) in your office?  
.....  
.....  
.....

### **C. Retention**

**14.** Does your office have a reward mechanism in place that provides incentives to staff members' high level of performance?

1) ☐ Yes

2) ☐ No

**15.** Which among the following processes describe your Office's reward system? (Tick as many boxes as appropriate.)

1) ☐ The reward mechanism consists of salary increases, promotions, and other extrinsic rewards in the form of benefits such as paid vacations and health insurance, maternity leave for women, educational benefits, retirement plans, early and flexible retirement, transportation allowance, housing allowance, hardship allowance, city compensatory etc.

2) ☐ The rewards are given in a timely manner; that is, it is not separated in time from the performance it is intended to reinforce.

3) ☐ Others (Please specify.).....

### **3.2. Budget resources**

**16.** Do you have a budget planning in department level?

1) ☐ Yes

2) ☐ No

**17.** Where do you get performance audit funding?

1) ☐ Government

2) ☐ International institutions

3) ☐ Other, please specify.

**18.** Who approves your performance audit budget planning?

1) ☐ Parliament

2) ☐ Prime Minister

3) ☐ Ministry of Finance and Economic Development

4) ☐ Board

5) ☐ Other, please specify

.

**19.** Do you have regular review of your budget?

1) ☐ Yes

2) ☐ No

**Subsection 4. Standards, Manuals and guidelines**

**20.** Does the performance audit department follow performance audit standards?

1) ☐ Yes

2) ☐ No

**21.** Who determines performance audit standards?

1) ☐ Ministry of Finance and Economic Development

2) ☐ Public Accounts Stand committee (PASC)

3) ☐ Office of Auditor General

4) ☐ Professional Body in the Country

5) ☐ performance audit department

6) ☐ Others (please specify it)

**22.** Which international standards aligned with your performance audit standards?

1) ☐ INTOSAI

2) ☐ AFROSAI-E

3) ☐ Country specific standards

4) ☐ Others (please specify.).....

**23.** Are the manuals and guidelines aligned to accepted standards?

1) ☐ Yes

2) ☐ No

**24.** Does your Performance audit department have audit manuals?

1) ☐ Yes

2) ☐ No

<b>I. Is the manual fulfilling these?</b>	<b>Yes</b>	<b>No</b>
1. Clarity		
2. Brief and to the point		
3. Easy to understand		
4. Jargon free		
5. Use of diagrams and illustrations		

	Not at all	Partially	Completely
II. Does your office update performance audit manuals?			
III. To what extent is the manual implemented?			
IV. Do you plan as per the manual provisions?			
V. Do you conduct audits as per manual provisions?			
VI. Do you report as per manual provisions?			

### Subsection 5: Leadership and Support

**25.** Are the performance audit managers and director willing to support the audit teams?

1) ☐ Yes

2) ☐ No

If no, please mention the problems observed.....

**26.** Are the performance audit managers and director competent to support the teams?

1) ☐ Yes

2) ☐ No

Mention the performance audit managers and director in performance audit (without mentioning the name) (as a performance auditor in number of audited entity and as a supervisor).....

### Subsection 6: information Access

**27. Does** the documentation systems of Auditee suitable for performance audit works?

1) ☐ Yes

2) ☐ No

If No, what are problems observed on auditees documentation? .....

**28.** Does performance Auditors have unlimited access of information from the auditee?

1) ☐ Yes

2) ☐ No

If No, how auditors overcome this problem? .....  
 .....

29. Post Audit Follow-Up	Your response	
	Yes	No
Does the audit office undertake procedure for closure of the investigation?		
Does the audit office review the Audited Entity's Response within 2 year?		
Does the audit office Measure the Impacts of the Audit?		

30. If your response for the above table is fully or partial No, why follow-up is not undertaken?

- 1) ☐ Lack of man power
- 2) ☐ Documentation problem
- 3) ☐ Fail to plan
- 4) ☐ Rearrangements of Audited entity
- 5) ☐ Shortage of time
- 6) ☐ Other (specify it).....

#### Subsection 7. Determinants of performance audit program

31. How performance audit program determined? What factors affect it?

.....  
 .....  
 .....

32. What are the challenges that have faced in conducting performance audit? (Tick as many boxes as appropriate.)

- 1) ☐ Lack of professionals( Shortage of human Resource)
- 2) ☐ Non-cooperatives of auditee
- 3) ☐ Less attention by legislative
- 4) ☐ Lack of independence
- 5) ☐ Time limitation
- 6) ☐ Inadequate auditee documentation system
- 7) ☐ Lack of access to information
- 8) ☐ Shortage of other resources
- 9) ☐ Other (mention, if any) .....

33. What are the efforts made to resolve the challenges under question No. 37?

- Related to Office of Auditor General (OAG)



- .....
- .....
- .....
- .....
- Related to legislature
- .....
- .....
- .....
- Performance auditors
- .....
- .....
- .....
- Others
- .....

### **PART III: Performance audit and struggle against corruption**

#### **Section 2: Cause for of diseconomy, inefficiency and ineffectiveness**

**34.** What are the cause for diseconomy, inefficiency and failure to achieve results of  
☐ditees?

- 1) ☐ Unintentional human negligence
- 2) ☐ Complex and difficult environmental factors
- 3) ☐ Might be due to existence of corruption
- 4) ☐ Other reasons.....

**35.** How lacks of efficiency indicate the existence of corruption?

.....

.....

.....

**36.** How diseconomies indicate the existence of corruption?

.....

.....

**37.** How ineffectiveness indicate the existence of corruption?

.....

**Section 3: Relationship between OAG and EACC** (*Tick in the boxes of appropriate.*)

38.	Yes	No
1 Does the office of Auditor General develop issues in its strategic planning to create strong partnership with Ethics and Anticorruption commission?		
2 Is there means of linkage your performance audit department (office) with Ethics and Anti-corruption commission?  If yes, how performance audit department/division works with Ethics and Anti-corruption Commission?  <input type="checkbox"/> Annual meeting <input type="checkbox"/> sending ever copy of performance audit Report <input type="checkbox"/> sending performance audit Report when required <input type="checkbox"/> informally relation <input type="checkbox"/> other		
3 Does the Corruption Prevention directorate consult office of Auditor general on preventing and fighting corruption?		
4 Do the Corruption Investigation and Prosecution Directorate jointly investigate corruption when audit finding of Auditor general provide some clue to corruption if it exists?		
5 Do the Corruption Investigation and Prosecution Directorate formally investigate corruption when performance audit finding highlight areas of diseconomy, inefficiency and failure to achieve results and impact?		
6 Does performance audit division of auditor general present findings and give recommendations that can create a more efficient and effective public sector?		
7 Is there special relationship between Office of Auditor General and the commission?  If yes, please briefly explain the area of relationship.....		
8 Does the commission take appropriate legal action based on information obtained from Auditor General?		

#### **.Section 4: Accepting performance audit as tool against corruption**

**39.** Do you believe that performance audit can be used as a tool against corruption?

1) ☐ Yes

2) ☐ No

**40.** Does performance audit indicated clues to existing corruption on the performance of government departments/agencies/projects/programs/commissionaires/ministries/bureau/authorities/offices/other?

1) ☐ Yes

2) ☐ No

#### **Section 5: Using performance audit as tool against corruption**

**41.** Did the Ethics and Ant-corruption Commission use the finding(s) of performance audit in struggle against corruption? ☐. Yes ☐ No

<b>42.</b> If your response for Q.66 is No, why the commission not used findings of performance Audit report? (Tick as many boxes as appropriate.)	Yes	No
Lack of understanding		
Lack of experience and trends		
No access to get the performance audit report		
Absence of formal cooperation		
No strategy for joint cooperation		
Lack of resource (man power, financial, information and material)		
Other (specify it)		

#### **Section 6: Joint duty of OAG and EACC**

**43.** To enhance the role of performance audit in fighting corruption what should have to be undertaken by Ethics and Anti-corruption commission and office of Auditor General?

- Related to Ethics and Anti-corruption commission

.....

Related to Office of Auditor General (OAG) .....

.....

Thank you more than I can say!

## **Appendix B: Interview question to head of performance audit division of OAG**

**University of Gondar**

**College of Business and Economics**

**Department of Accounting and Finance**

Questionnaires for head of performance audit division of OAG

This study is entitled **“Determinants of Performance Audit’s Role in fighting roots of corruption: Evidence from Amhara National Regional State”**.

The canvasser is Dilnessa Demissie who is currently a M.Sc. Candidate in Accounting & Finance at the Faculty of Business and Economics of University of Gondar, Ethiopia.

This survey questionnaire is prepared in order to get the necessary information to undertake study on the above stated title. The purpose of the study is to analyze the prevailing performance Audit role in struggle against public sectors corruption. Since most of the questionnaires stated below are closed-ended type, responding them may not take much time.

Any information provided will be kept confidential. Therefore, I cordially request your esteemed organization for volunteer to respond the questionnaire and provide accurate and complete data. Partaker is capable of get access to summary research findings at the time of completion of the study upon demand.

For more information, you may make contact with Dilnessa Demissie by the following address:

Tell +251-912 68 90 07

+251-913 28 48 68

Email: dilnessademissie@yahoo.com

Thank you in advance for your time & cooperation!

Dilnessa Demissie Fenta

### ***Note:***

- Writing your name is unnecessary.
- Circle or put “✓”mark as per the questions required in the box or answer in the space provided.

### **Human resource**

1. What qualifications in terms of formal education does your office look for in recruiting staff of your performance Audit Department or division?

Level of qualification	Male	Female	Total
Diploma			
Bachelors degree (three or four year program)			
Certified Public Accountants (CPAs) or Chartered Accountants			
Those with degrees in Accounting but are neither CPAs nor Chartered Accountants			
Masters degree			
Doctoral degrees			

2. What does the field of studies your office look for in recruiting staff of performance Audit Department or division?

Field of Study	Male	Female	Total
Health			
Engineering			
Business and Economics			
Teaching			

### **Report and Performance audit in Anti-corruption struggle of EACC**

3. How your auditor general works with Ethics and Anticorruption commission?

.....

4. What are benefits provided to ethics and Anticorruption commission from the auditees' finding information of performance auditing?

.....

5. What are the Overall contribution of performance audit in relation to struggle against corruption within the state and country level?

.....

.....

### Appendix C:- Table 11 Independence of the OAG

	yes	No	Total
Does OAG independent from legislatives & executives?	20%	80%	100%
Does the OAG Independent from any Political affiliation?	30%	70%	100%

Source Performance Auditors Survey Q. No 3 & 5 and own computation

### Appendix D:- Table 12 Mandate to carryout performance audit

		Yes	No	Total
Does your Auditor General have the legislative mandate to carry out the following types of Performance audit?	Economy audit	10%		100%
	Efficiency audit	10%		
	Effectiveness audit	10%		
	Environmental audit	5%		
	Audit of economy, efficiency, effectiveness and environment	65%		
Do the AG and staff members have legal immunity?		20%	80%	100%

Source Performance Auditors Survey Q. No 1 & 8 and own computation

### Appendix E:- Table 13 Unrestricted access to information for OAG

	Yes	No	Total
Does the documentation system of auditee suitable for performance audit work?	25%	75%	100%
Does performance Auditors have unlimited access of information from the auditee?	60%	40%	100%

Source Performance Auditors Survey Q. No 27 & 28 and own computation

### Appendix F:- Table 14 Funding of performance audit

	Yes	No	Total
Do you have a budget plan in department level?	25%	75%	100%
do you get performance audit funding from the regional government?	85%	15%	100%
Does the regional council approves performance audit budget plan?	85%	15%	100%
Do you have regular review of your budget?	30%	70%	100%

Source Performance Auditors Survey Q. No 16-19 and own computation

### Appendix G:- Table 15 Leadership of Performance audit

	Yes	No	Total
Are Performance Audit Managers and director willing to support audit teams?	60%	40%	100%
Are the performance audit managers and director competent to support audit teams?	20%	80%	100%
Does the audit office review the audited entity's response within 2 years?	35%	65%	100%
Does the office measure the impacts of the audit?	40%	60%	100%
Does fail to plan the cause to undertake follow-up	40%	60%	100%

Source Performance Auditors Survey Q. No 25, 26, 29 & 30 and own computation

### Appendix H:- Table 16 Staff of Performance audit

		Yes	No	Total
Competency and proficiency of Existing performance auditors	Very Good	5%		100%
	Good	20%		
	Satisfactory	70%		
	Poor	5%		
Do performance auditors have adequate knowledge of the operations of their job functions/areas of responsibility?		50%	50%	100%
Does your office provide for performance auditors career planning and development opportunity?		20%	80%	100%
Does OAG have a reward mechanism in place that provides incentives to staff members' high level of performance?		10%	90%	100%
Does the reward include salary increase, promotion and other extrinsic benefits?		10%	90%	100%

Source Performance Auditors Survey Q. No 10-15 and own computation

### Appendix I:- Table 17 Support of Performance audit

	Yes	No	Total
Is the legislature assist or advise the performance audit division in priority selection?	15%	85%	100%
Does Audit Advisory Committee support the performance Audit teams?	10%	90%	100%
Does the OAG use experts to measure the performance of auditees?	20%	80%	100%
Does the corruption prevention directorate consult OAG on preventing & fighting corruption?	15%	85%	100%

Source Performance Auditors Survey Q. No 4, 6 9 & 38.3 and own computation

## Appendix J:- Table 18 Compliance of Performance audit

		Yes	No	Total
Does performance audit department follow performance audit standards?		70%	30%	100%
Who determine performance audit standards?	professional body in the county	30%	70%	100%
	Office of Auditor General	70%	30%	100%
Which standards aligned with your performance audit standards?	INTOSAI	50%		100%
	AFROSAI-E	50%		
Are the manuals and guidelines aligned to accepted standards?		80%	20%	100%
Does your performance audit department have audit manual?		85%	15%	100%
Is the manual clear?		65%	35%	100%
Is the manual brief and to the point?		50%	50%	100%
Is the manual easy to understand?		50%	50%	100%
Is the manual jargon free?		35%	65%	100%
Does the manual contain diagrams and illustrations?		55%	45%	100%
Does your office update performance audit manuals?	Not at all	75%		100%
	Partially	25%		
	Completely	0%		
To what extent is the manual implemented?	Not at all	0%		100%
	Partially	75%		
	Completely	25%		
Do you plan as per the manual provisions?	Not at all	15%		100%
	Partially	60%		
	Completely	25%		
Do you conduct audits as per manual provisions	Not at all	0%		100%
	Partially	50%		
	Completely	50%		
Do you report as per the manual provisions?	Not at all	0%		100%
	Partially	40%		
	Completely	60%		

Source Performance Auditors Survey Q. No 20-24 and own computation

## Appendix K: -Table 19 Communication of Performance audit Results

	Yes	No	Total
Is there special relationship between auditor General and legislative?	35%	65%	100%
Does the OAG develop issues in its strategic planning to create strong partnership with EACC?	25%	75%	100%
Is there means of linkage your performance audit department (office) with Ethics and Anti-corruption commission?	30%	70%	100%
Is there special relationship between OAG and EACC	15%	85%	100%

Source Performance Auditors Survey Q. No 2, 38.1, 38.2, & 38.7 and own computation



## Appendix L:- Table 20 Using Performance audit results as a Tool

		Yes	No	Total
Do the corruption investigation and prosecution directorate jointly investigate corruption when audit findings of auditor general provide some clue to corruption?		15%	85%	100%
Do the corruption investigation and prosecution directorate formally investigate corruption when performance audit findings highlight areas of diseconomy, inefficiency and failure to achieve results and impacts?		15%	85%	100%
Does the commission take appropriate legal action based on information obtained from auditor general?		20%	80%	100%
Does the EACC use the finding(s) of performance audit in struggle against corruption?		20%	80%	100%
Why the commission doesn't use findings of performance audit results?	Lack of understanding	35%	65%	100%
	Lack of experience & trends	65%	35%	
	Unable to access reports	95%	5%	
	Absence of formal cooperation	80%	20%	
	No strategy for joint cooperation	75%	25%	
	Lack of resource/man power, finance, ...	10%	90%	

Source Performance Auditors Survey Q. No 38.4, 38.5 38.4, 41 & 42 and own computation

## Appendix M:- Table 21 Performance audit's role in fighting corruption

		Yes	No	Total
Does the audit office undertake procedures for closure of the investigation?		18	2	20
What are the challenges of that have faced in conducting performance audit?	Lack of professionals/man power	18	2	20
	Non cooperativeness of auditees	7	13	20
	Lack of attention by legislative	17	3	20
	Lack of independence	10	10	20
	Time limitation	16	4	20
	Inadequate auditee documentation system	12	8	20
	Lack of access to information	10	10	20
	Shortage of other resources	18	2	20
Are there efforts made to resolve the challenges listed above?		1	19	20
What are the cause of diseconomy, inefficiency and failure to achieve results of auditees?	Complex and difficult environmental factors	3		20
	Might be due to existence of corruption	17		
Does performance audit division of auditor general present findings and recommendations that can create a more efficient and effective public sector?		19	1	20
Do you believe that performance audit can be used as a tool against corruption?		17	3	20
Does performance audit indicate clues to existing corruption on the performance of government \departments/agencies/projects/programs/ commissionaires/ ministries/bureaus/authorities/offices, other?		15	5	20

Source Performance Auditors Survey Q. No 29.1, 32, 33, 34 38.8, 39 & 40 and own computation